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East Europe Report

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FINANCIAL POLICY CHANGES IN 1987 FEDERAL BUDGET ANNOUNCED

Prague HOSPODARSKE NOVINY in Czech No 5, 1987 p 3

[Article by Eng Julius Jombik, ScC, first deputy minister of finances of the CSSR: "New Factors in Financial Policies—State Budgets for 1987"]

[Text] In December 1986 the highest representative institutions of the CSSR, CSR and SSR approved the proposals for the laws on state budgets of the Czechoslovak federation, the CSR and the SSR for 1987. In conjunction with the decisions of the fourth session of the CPCZ Central Committee, that represents the basic framework for the budgetary and fiscal manage- for the current year.

The point of departure for the state budgets for 1987 are the main tasks stemming for this year from the law on the state plan for the CSSR's national economic development in the 1986-1990 period and from the projected budget of the CSSR for the same period. The state budget of the Czechoslovak federation and the state budgets of both republics support the objectives and tasks of the Eighth 5-Year Plan and of the CSSR and SSR 5-year plans, and their financial and economic mechanisms serve enthusiastically to promote their fulfillment.

Specific Principles

The focus of the 1987 fiscal and budgetary policies is on the enforcement of the principles of financial policies approved together with the projected budget for 1986-1990. Among their main stipulations are intensified financial pressures on an efficient formation and rational use of our financial resources, on a fiscal and budgetary balance, more challenging economic conditions for our economic sphere, and opportunities for further improvement of our living standard.

Specifically, the principles of our financial policies are reflected in several measures of the 1987 state budgets, as, for example:

-- consolidation of the long-term financial and budgetary planning so that the state budgets and financial plans fulfill their tasks stipulated for this year by the projected budget of the CSSR for the 1986-1990 period;

--stipulation of challenging tasks to economic organizations in terms of costs, profit-making, more efficient management of inventories, and financing of other needs.

--higher challenges of our economic situation to our economic sphere by more consistent implementation of decree No 37/1983 on invoicing of investments;

--financing of 6 percent of the investment plan for 1987 by organizations from their above-plan financial resources, or from the funds accumulated in previous years;

--more financial aid to Action Z by giving organizations operating within a given territory broader opportunities to pool their funds.

--restrictions on the range for redistribution within the budget system (as compared with 1986, grants from the state budget of the Czechoslovak federation to supplement state budgets of the republics have been reduced) and reduction of the resulting grant for financial economic mechanisms in foreign trade;

--amended regulations on financial-economic mechanisms in foreign trade, applicable as of the beginning of 1987.

Furthermore, for the first time the economic achievements of organizations in 1986 will be assessed and accounted for this year in a new way according to the principles valid for the Eighth 5-Year Plan. The new rating system stresses the qualitative indicators of efficiency of individual organizations. Exacting tasks are facing our financial system mainly in conjunction with the gradual restructuring of the economic mechanism. These are specifically the tasks stemming from decision of the CSSR Government No 244/1986 on the program for the implementation of additional policies in the system of national economic planning and management in the Eighth 5-Year Plan.

The key role must be seen unconditionally in the specification of issues related to the restructuring of the organizations' levy and tax systems; this will help balance our state finances, develop the khozraschet principles in the financial management of organizations, and rationally assess the factors of production. In the framework of restricted and rationalized processes of redistribution, a program must be prepared for gradual reductions of noninvestment grants from the state budget beginning in 1987.

Other measures are related, for instance, to consistent implementations of the system of criteria for economic efficiency in planning on all levels, broader applications of standards in the distribution and expenditures of financial assets, a greater, more intensive role of the sales tax, and objectivization of the amount of depreciation of capital assets left in the enterprise sphere for the financing of simple replacements.

We see the solution of these tasks in the improvement of the whole process of management and planning and in a more efficient supply-and-demand system. Our financial system will very closely cooperate in this program with other agencies so that the adopted measures affect every sector of our economic policies as a unified, internally balanced entity.

The Tasks of Economic Organizations

Taxes collected from our economic organizations and sales tax represent a major source of income for our budgetary system whose total volume in 1987 is planned at Kcs 381.9 billion. For that reason, in operations on every level of management the greatest emphasis must be on the mobilization of these budgeted incomes, otherwise all planned budgetary expenditures may not be realized and the incomes and expenditures of our whole budgetary system and its indiviuual sectors may not be balanced.

Taxes planned as payments of our economic organizations to the budgetary system and as funds to cover the planned needs of those organizations are predicated on the achievement of planned profits. Total profits will amount to Kcs 162.1 billion, which is an increase of Kcs 15.6, i.e., 10.6 percent more than in 1986. In accordance with the approved state plan, a decisive increase of profits (Kcs 12.5 billion) will be derived from the relative cost reduction, i.e., the share of total costs in outputs is 1.01 percent down, and of material costs without depreciation 1.45 percent down. These parameters present considerably greater challenges than those achieved during the Seventh 5-Year Plan.

The problem of costs is far more complicated because in 1986 the planned level of costs had not been met and thus, the demands on the tasks planned for this sector for 1987 have increased substantially.

In the current year the sales tax, including the differences in our domestic market, is planned at a total of Kcs 94.7 billion, which is up 2.6 percent. The increase of the sales tax has been slowed down because its major part comes from goods delivered for non-market consumption (for example, from motor fuels and lubricants) which are restricted by several economic measures. However, the fulfillment of the plan for the sales tax will depend on better processing of products delivered to our domestic market. Therefore, the task to supply goods for our domestic market must be fulfilled more scrupulously both in terms of their amounts and structure and in terms of deliveries in retail and wholesale prices.

Non-investment expenditures for R&D which is the key factor in our economic intensification will amount this year to Kcs 20 billion, an increase of 3.5 percent. Of that, earnings retained by the economic sphere will be Kcs 11.4 billion, and the expenditures of the state budgets will amount to Kcs 8.6 billion. These funds cover all financial requirements of the state plan for technological development, the tasks of our economic plans for technological development, and the operations of the organizations of the R&D base. In addition, they are fully comparable to the expenditures of other industrially advanced states.

Funds required for investments in our economic organizations represent a total of Kcs 142.7 billion, an increase of 5.6 percent, of which 68 percent will be from earnings retained by the economic sphere (disposable profits and depreciations). In the structure of planned resources the financing of investments was consolidated in conjunction with the fulfillment of important investment programs, tasks and grants from state budgets, which will amount to Kcs 13.8 billion, or Kcs 1.3 billion more than in 1986. The state budget provides necessary grants for investments mainly in the fuel and energy complex, transportation, forest and water economy, agriculture, etc. The budgetary system provides extensive funds for economic organizations in the form of non-investment grants at a total of Kcs 30.1 billion, and in addition, almost Kcs 10 billion to the unified agricultural cooperatives. These grants are paid in accordance with the planned production and sales tasks, most of them in the form of price subsidies and supports to the agricultural and food industry complex.

This year will mark a turning point in the development of efficiency of inventories. Our industrial and construction organizations--excluding the effect of selected integration programs--were ordered to accelerate their inventory turnover by 2 days, in accordance with the stipulations of the projected budget. The demands of these tasks may be stepped up even even further if the tasks in the development of inventories planned for 1986 are not met. Because the development of inventories depends on the fulfillment of broader national economic achievements, the CSSR Government demands that proposals be submitted this year for the solution of problems in supplier-consumer relations and for an overall reform of the inventory control system.

Living Standard

The major part of funds of the budget system (representing 45.2 percent of all budget costs in 1987) is earmarked for the social needs of our citizens. Next to the development of individual branches, the planned volume of budgeted non-investment costs of public services amounting to Kcs 172.8 billion includes new tasks based on pertinent governmental decrees, such as the electronization program of the educational system gradual implementation of health care programs, the solution of problems of the territory an our western border, and the funding of integration programs in health services and the development of mass physical education in our schools. The planned non-investment costs per citizen will amount to Kcs 10,992 or Kcs 323 more than in 1986.

Current non-investment costs of social security equal Kcs 91.4 billion (1.4 percent up), of which expenditures of state budgets for pension benefits amount to Kcs 56.3 billion. The average number of pension payments is projected at 4,062,000 and the amount of average pension at Kcs 1,371 per month.

The expenditures of state budgets for health insurance will represent Kcs 28.6 billion, or Kcs 0.5 billion less than in 1986, mostly due to a

lower projected morbidity rate and to an unfavorable demographic development which is reflected in lower expenditures for bonuses for children; this is directly related to the birth rate, i.e., bonuses at child's birth, and pregnancy and maternity benefits.

Health insurance benefits of social security budgeted by national committees at Kcs 6.5 billion are increased mainly because of the rise in the benefits paid to cooperative farm employees (due to higher average incomes). Moreover, the overall rate of growth of expenditures is affected by higher funds planned for the maintenance of the facilities operated by social security.

The expenditures of the educational system will amount to Kcs 27.9 billion (up 2.5 percent). Most of them will be covered from the budgets of national committees (Kcs 23.4 billion). In addition to the cost increase due to higher outputs, the projected budget will include an increase of approximately 3 percent of the funds for the necessary maintenance and repairs of schools and educational facilities. In the centrally administered school system (Kcs 4.5 billion) the 4.3 percent increase of material costs is designated primarily for building maintenance and repairs and for the equipment and operation of new college dormitories and dining facilities.

Non-investment expenditures for health services total Kcs 28.9 billion (up 5.3 percent). Higher costs (Kcs 1.3 billion) are projected for the centrally administered health system, above all, for expanded health services to workers in nuclear power plants and uranium industry, and for expanded balneological therapy for selected categories of patients (Children, miners, etc). In health services administered by national committees (Kcs 27.6 billion) the costs of pharmaceutical products and special medical materials have considerably increased (by 8 percent).

Non-investment expenditures for culture in 1987 have risen 5.3 percent to Kcs 5.1 billion. This increase is related to restorations of additional municipal landmarks and to expeditious repairs of cultural objects of national significance paid from the budgets of national committees. The planned increase of funds includes repairs of professional theaters and operation of new cultural institutions.

Total budgeted expenditures for housing construction and administration amount to Kcs 29.2 billion (of which Kcs 5.6 billion represent compensation for losses sustained by housing administration enterprises, including capital reserves of national committees) and is 4.7 percent higher than in 1986. In agreement with the concept of state housing policies, the increase of funds is reflected mainly in higher state contributions to cooperative housing construction.

The principles of maximum efficiency and economy must be enforced in expenditures budgeted for public services consumption, including the maintenance of necessary proportions of that consumption with other factors of our citizens' living standard and with the amount of created

material and financial assets. The same principles apply to other budgeted costs, for example, expenditures for the state administration.

The Budgetary System.

The state budget of the Czechoslovak federation represents the basic sector of integration and coordination of our budgetary system. Its planned incomes amount to Kcs 208.6 billion, of which Kcs 75 billion are designated to finance federally administered agencies and organizations, and Kcs 133.6 billion represent grants to state budgets of both republics. These grants help balance the budgets of the republics, and are paid in conjunction with the tasks of the 5-year plan according to the principles of good stewardship. As compared with 1986, the above-mentioned grants have been reduced by 2.2 percent due to higher internal revenues of the budgets of both republics.

The share of special-purpose grants in total grants to the state budgets of the republics is 48.4 percent. Most of these funds are intended to compensate them for price subsidies and contributions to the agricultural complex, to finance selected investment programs of national importance (for example, subsidies for comprehensive housing construction, the Danube waterworks system) and to act as economic mechanisms in foreign trade. General grants amounting to 51.6 percent of all subsidies are focused mainly on the area of public services consumption covered from state budgets of the republics, or from the budgets of national committees.

The budgets of national committees constitute an important sector of our budgetary system. Their total amount, including grants and subsidies, will be increased by Kcs 4.2 billion to nearly Kcs 130 billion, which is more than one-third of total funds of the budgetary system. The expenditures of the budgets of national committees cover a comprehensive development of the territories, primarily the economy managed by national committees, and finance the costs of public services consumption.

In addition, the budgets of national committees include financial support for Action Z which amounts to Kcs 4.4 billion, i.e., an increase of 6.7 percent. Furthermore, they reflect the measures adopted since 1986 which released supplementary assets from the budgets of national committeed for election programs of the National Front.

It will not be an easy task to meet the stipulations for 1987 in earning the budgeted incomes and consequently, the budgeted expenditures. Therefore, effective measures must be unconditionally adopted on every level of management so that the planned tasks be fulfilled especially in qualitative indicators; that will provide the groundwork for the planned development in the production and nonproduction spheres, for a higher living standard of our citizens, and for a realistic balance of our fiscal and budgetary relations.

9004/9190
CSO: 2400/1706

CONSUMER ELECTRONICS DISCUSSED

Prague HALO SOBOTA in Czech 21 Feb 87 p 4

[Article by Stanislav Stibor: "A Lack of Cooperation Between Research and Practice"]

[Text] At the end of the third part of this serial we stated that the 16th CPCZ Congress was of critical importance for the further development of our electronics industry, particularly because it established the goals set forth in Main Objectives of Socio-Economic Development for 1981-1985.

This document established an exception growth rate target for the electrotechnical industry of 40-50 percent, to set the groundwork for the electronization of the national economy. It established a sole requirement, namely that priority be given to the development of electronics and especially microelectronics. The importance was stressed of assuring an increase of almost threefold in the components base of the electronic industry as an essential precondition for meeting these objectives. The sector received central subsidies in the investment and licensing areas, increased wages payable resources, and other support.

First Steps

The clear priority accorded to electronics in the Seventh 5-year Plan provided the needed impulse to fulfill the demanding tasks for the internal development of this sector and for the wider application of electronic elements in systems for many areas of the national economy. Assistance also came from the formation of the Federal Ministry of the Electrotechnical Industry, which concentrated the research, development, and production capabilities of the electrical engineering and electronics sectors into a single entity. Among other things, this made it easier to develop international cooperative agreements within the CEMA, because one of the previous obstacles had been the complexity of negotiations with several sectors in our country whereas the potential partner would have only one representative.

How well we had done in the first three years of this new period of development and practical application of electronics was evident on

21-27 November 1983 at the Julius Fucik Park of Culture and Rest in Prague at the Electronization and Automation 83 exhibition. Some 2,000 exhibitors and gathered there from research institutes and enterprises of the ministry of the electrotechnical industry, as well as from 15 other organizations, mainly from our two engineering ministries, who displayed applications of electronics to their products. Other applications were exhibited by organizations under the ministry of fuel and power, the ministry of agriculture, the ministry of communications, along with exhibits showing the results of R&D work from the CSAV, the Slovak Academy of Sciences, colleges and other organizations.

Promising Applications

Among the specific applications of electronics shown at the exhibition were a state of the art knitting machine exhibited by Trebic Elitex, the control system of which was manufactured with entirely domestic components, irrigation system controls from Olomouc Sigma, a control system for a conveyor belt drive from the Uranium Industry, an automated drive system from Ferrous Metallurgy, more than one example of micro-electronic systems for the digital control of machine tools. Such control systems had been a clear requirement for a number of years on modern machine tools, and the predecessors of these units had frequently created barriers to the sale of what were otherwise very technically sophisticated machine tools. Nevertheless, even the production of 15 types of control systems for machine tools was still inadequate.

Individual enterprises from the electrotechnical industry exhibited more than one product for computerizing office work, systems for computerized design, and for the control of various economic activities. They also showed how microprocessor based systems can conserve electricity when used to control boilers and exchanger stations or when used to control the load schedule, etc.

Consumer electronics was also represented, mainly with new types of color televisions including portable sets and remote control, tape recorders, record players, etc. The first personal computers were also on display at this show. Computer technology has maintained its primary position in the development of our electronics industry. Awards from international trade shows confirm this. The most recent award at that time had been a gold medal awarded at the 25th International Trade Fair in Brno for the SM 53/10 computer system with the universal software package MODUS. The electronics industry also contributed to the innovation and development of new health care equipment and instruments for diagnostics, monitoring, and treatments.

Cooperation Is Important

We could not rest on these laurels, however, We were still a long way from being satisfied with the overall sophistication of our electronics. We did need to evaluate, however, what had been achieved in those first three years. Promising steps had been taken towards developing a

component base, and specifically on producing integrated circuits, microprocessors and other components, but it was inadequate.

There were still taps in the product line, making it necessary to import certain components from nonsocialist countries. Fortunately, specialization programs in microelectronics that were already in place meant that we could count on importing some 200 types of integrated circuits from the Soviet Union. Furthermore, cooperation with other CEMA countries allowed us to come up with certain other items for specific applications. But all of these measures were necessary, in the final analysis, because our society as a whole had not yet made a full commitment to electronics.

Despite certain successful applications of electronics in some fields neither experts nor senior managers were prepared for their implementation. To some extent their disinterest was due to the excessively high price at that time of electronics components. It also reflected a general attitude towards R&D progress.

Research Hand in Hand with Production

The Eighth CPCZ Central Committee Plenum in June 1983 announced the official position regarding these issues, namely that the accelerated practical application of R&D findings must have top priority. This plenary session evaluated the situation as it then existed and responded by recalling the words of Gustav Husak at the 16th CPCZ Congress: "It is time to realize that the closest possible integration of research and production is one of the top priorities of the present day."

The June Plenum identified shortcomings in our entire R&D base, criticizing its objectives, its management, and pointing out areas of opportunity for the further development of international cooperation. This criticism extended as well to the electrotechnical industry. The plenum established additional goals, with particular emphasis on electronics and microelectronics. These included the task of adding to the existing R&D base, outfitting it with the necessary pilot plants and experimental facilities to allow the testing of prototypes of proposed new products, technological sophistication, product quality, and ongoing quality control operations. These facilities were to be capable of handling both end products and the components themselves because the quality of components is the critical factor in the reliability and quality of computers, telephone central offices, and other equipment including consumer electronics. The production of modern components, microprocessors, etc. requires, after all, completely new processing techniques and exceptional purity of its raw material inputs as well as precision manufacturing, all of which are orders of magnitude more precise in their standards than what is required for the production of discrete components, i.e. individual transistors, resistors, etc.

After the first three years or so of the Seventh 5-Year Plan we were able to note progress in the growth of our electronics industry. We had accomplished just about all that we could have, given the environment in which we were operating. But we were not content with this state of affairs, and identified certain shortcomings.

9276/9190
CSO: 2400/155

CHANGES IN FUEL AND ENERGY MANAGEMENT TO 1990 VIEWED

Prague PLANOVANE HOSPODARSTVI in Czech No 10, 1986 pp 50-57

[Article by Eng Miroslav Fiser and Eng Vladimir Rain, State Planning Commission: "Projected Changes in Fuel and Energy Management Through 1990"]

[Text] The basic economic characteristics of a developed socialist society in its building phase are increased national economic efficiency, improved quality of all work, and the ongoing application of findings of the scientific and technical revolution. These were also the basic elements of the economic development strategy outlined by the 14th CPCZ Congress. This congress stressed the urgency of implementing these objectives in view of rapidly changing external conditions, and in view of the increasing demands for sophisticated solutions to domestic socio-economic development tasks.

Despite the large number of negative factors that have affected the growth of our economy since 1970, our current level of development suggests that we have by and large done well in meeting our objectives. The overall growth rate of the CSSR economy over the past 15 years has been higher than in all other comparable countries. National income has increased over this period of time by 81 percent, for an average annual increase of 4 percent. This has enabled us to meet the increasing material and cultural demands of our people and improve the quality of goods and services. In fact, personal consumption has increased over this period by 45 percent and public consumption of goods has increased by 105 percent. To achieve these results a number of trends that had been exerting a negative impact on economic development had to be dealt with. This was also true in the area of fuel and energy management.

New external conditions early in the 1970s ended forever the period o[illegible] inexpensive power and raw material resources. Since then prices o[illegible]s and energy on international markets have increased continually. The [illegible] table summarizes prices in US dollars in the European capitalist [illegible] per barrel equivalent of crude oil energy:

Year	Crude Oil	Percent Increase	Natural Gas	Percent Increase	Coal	Percent Increase
1970	2.00	100	2.25	100	3.60	100
1975	11.80	590	5.85	260	12.15	338
1980	32.50	1625	23.91	1063	13.13	364

Many countries have sought a solution to this situation in the development of domestic fuel and energy reserves and in the more efficient utilization of fuel and power inputs. Czechoslovakia is no exception. In our situation the need is more pressing because we import most of our fuel and power resources. Imports accounted for 25.7 percent of our total fuel and power resources in 1970, and we were faced with the inevitability of an increase in this percentage because of a lack of quality domestic reserves and the need to speed up our economic growth. By 1980 the percentage of imported fuel and energy resources had indeed increased to 37.7 percent. While crude oil accounted for most of the increased imports prior to 1970, after 1975 we began to import increasing amounts of natural gas. These imported resources accounted for most of the domestic increases in consumption of primary energy resources during this period as shown by the table on the next page.

Only thanks to our close economic cooperation with the Soviet Union and other CEMA countries, from which we obtain most of our fuel and energy imports, did the sharp increases in world prices for these items not affect our balance of payments too severely. Even so, the price increases did have a strongly negative impact on our balance of payments. For instance, in 1970 we paid Kcs 4.5 billion for imported fuels and energy, a figure that had increased to Kcs 28 billion by 1980. Most of this increase was due to price increases. We must also be aware that, just as in our country, the extraction conditions and transportation requirements for fuel and power are becoming greater in the CEMA member countries as well. Soviet coal, natural gas and oil are being mined at greater and greater depths, deposits are being worked in very remote areas under difficult operating conditions. The average transportation distance for natural gas has more than tripled in the past 10-15 years.

	1960	1965	1970	1975	1980
Consumption of primary energy resources in CSSR (million tons of standard fuel equivalent)	56.9	71.9	8.12	93.2	102.3
Increase in domestic consumption for 5-year plan (million tons of standard fuel equivalent)	—	15.0	9.3	12.0	10.0
Increase in crude oil imports (million tons of standard fuel equivalent)	—	5.1	5.5	8.5	4.1
Increase in natural gas imports (million tons of standard fuel equivalent)	—	—	1.5	2.6	4.6
Increased imports of crude oil and natural gas as percentage of increased domestic consumption of primary energy resources	—	34.0	73.1	92.5	88.0

Given the above situation we have also taken measures to increase the utilization of domestic resources. During the Sixth 5-Year Plan mining of brown coal, the critical fuel for our management activities will increase by 10 percent, which represents an increase of 8 million tons. At the end of this period the first unit of the VVER 440 nuclear power plant was put on line at the Jaslovske Bohunice plant. Along with other measures helped us to make inroads on the unfavorable trends in the increases of imports of primary energy resources.

During the Seventh 5-Year Plan the trend continued of supplying energy needs from domestic resources. This 5-year plan placed strong emphasis on the development of nuclear power. While we did not meet our projections regarding the number of nuclear power facilities that would be brought on line during this time, the VVER 440 units that were operational at Jaslovske Bohunice and at Dukovany did produce almost 11.8 terawatt hours of electricity. This represents 14 percent of our total energy requirements. Electricity generated at steam power plants peaked in 1984 at 57.2 terawatt hours. Increasing electricity imports from the USSR related to the agreement governing our participation in the Khmelnitsky nuclear power plant, and our own long range plans have resulted this year in a decline in steam plant generated electricity of 3 terawatt hours, even though overall electricity consumption increased. Domestic electricity consumption increased by 9.6 terawatt hours during the Seventh 5-Year Plan, but increased by 3.1 terawatt hours in 1985 alone.

Electricity generation at steam power plants depends on supplies of brown coal. The amount of coal mined also peaked in 1984 at 103 million tons. In 1985 the final figure was about 2.5 million tons less.

There have also been substantial changes in liquid and gaseous fuel management. Due to additional price changes on world markets consumption of crude oil and crude oil products has been significantly curtailed since 1980. Reductions in domestic consumption of petroleum products by 3.1 million tons of standard fuel equivalent during the Seventh 5-Year Plan affected mostly heating oils, the use of which for energy purposes became untenable for our economy. Between 1980 and 1985 consumption of heating oil declined by 2 million tons, which equates to 2.8 million tons of standard fuel equivalent. Heating oils were at first replaced in the fuel and energy management equation by solid fuels, and especially through the increased use of steam power plants in power generation sectors burning brown coal. Later in the 5-year plan natural gas came to be used for this purpose. To a large extent we were able to use existing units equipped with dual fuel (heating oil-natural gas) systems. The percentage of gaseous fuels used in these units just increased. Supplies of natural gas designated for domestic consumption increased during this period by 2.3 billion cubic meters, with an increase of 1.3 billion cubic meters alone in 1984 and 1985.

These structural changes that have been undertaken since 1970 and have resulted in increased utilization of domestic reserves have gone a long way to resolving the situation in this area. We must also be aware that the development of our own fuel and energy base is seriously restricted because the geological conditions continue to worsen. Further increases in the mining of solid fuels

would, in other words, be very difficult, to say nothing of the consequences of increased domestic solid fuel use on the environment. Moreover, the quality of these solid fuels will gradually deteriorate, meaning that costs in relation to standard fuel equivalent will increase. The nuclear power program is also highly investment intensive.

The further development of our economy will be possible, therefore, only if we make more efficient use of fuel and energy resources throughout the entire replacement process. This implies not only changing our approach to achieving greater efficiency in the direct use of fuel and energy, but also to pay attention to incentives for innovational processes, improved technical sophistication and product quality, structural changes within the entire economy and individual firms, and the sensible use of the outputs from our economy, including capital goods and especially energy intensive products, etc.

For this reason improving the efficiency of fuel and energy consumption has been a basic objective of fuel and energy management since the early 1970s. As early as 1972 the State Program for Improving the Efficiency of Fuels and Electricity Management was established. This program was based on the level at that time of Czechoslovak energy management and contained a set of measures that were technical and economic in nature, and essential for further reducing energy intensiveness, especially in the production sphere.

The implementation of efficiency enhancing programs between 1972 and 1975 resulted in savings of 6.8 million tons of standard fuel equivalent, instead of the planned 4.6 million tons, even though some of the programs could not be fully carried out.

For the Sixth 5-Year Plan the State Program for Increasing the Efficiency of Fuel and Energy Consumption established a conservation target of 10.2 million tons of standard fuel equivalent. This task came from directives approved by the 15th CPCZ Congress, which set conservation targets on the order of 2-2.5 percent annually. This program was for the most part successfully implemented. A total of 13.3 million tons of standard fuel equivalent were saved during the Sixth 5-Year Plan.

The Seventh 5-Year Plan established a target of 12.2 million tons of standard fuel equivalent. This was also exceeded, the final figure being 13.9 million tons of standard fuel equivalent saved... This required about Kcs 12 billion in investment. Despite the positive outcome one cannot say that everything went without a hitch.

We were not successful, for instance, in increasing the percentage of specific programs. During the Seventh 5-Year Plan the percentage of total savings accounted for by these specific programs declined from 52 percent in 1981 to 47 percent in 1984, which made it impossible to improve the composition of the program as planned. Annual plan fulfillment for state priority program 02 has been very unstable. Mistakes constantly occur and originally planned efficiency enhancing programs are constantly being put off. The ministries are doing a poor job of evaluating the readiness of lower levels of management, and are

not controlling the choice of efficiency enhancing programs in a way that effectively controls preparations for them and their actual implementation. Discussions are constantly held whether the program can be implemented at all in an environment of limited investment resources. This is, after all, a serious problem that cannot be reduced solely to the issue of investment. Despite the fact that the investment intensiveness of efficiency enhancing measures related to fuel and energy consumption is increasing, it is also true that we are overlooking other potential efficiency enhancing measures that are much less investment intensive. This has been confirmed by comprehensive inspections conducted by the State Energy Inspectorate which have provided evidence of serious shortcomings in the preparation of analyses.

The introduction and subsequent improvement of technically justified standards for fuel and energy consumption for selected products and technologies is one of the areas of greatest potential, and the standards themselves are one way to increase our economic discipline. We failed to meet a target of the most recent 5-year plan, namely establishing such standards for at least 55 percent of planned fuel and energy consumption by the end of 1985.

Data from other countries confirms that this is one of the areas with the greatest potential for improvement. The CSSR currently has one of the highest per capita energy consumption figures in the world. Countries facing similar conditions, such as Hungary, Austria, and France have per capita energy consumption rates some 40 percent lower than ours. The same conclusion results from calculations of the energy intensiveness of the respective gross national products. Even though these calculations involve some methodological imprecision, particularly in the realm of value indicators, and one must bear in mind that the conditions affecting consumption differ from country to country (e.g. the structure of domestic energy consumption, climatic conditions, the growth patterns of specific sectors, etc.), they nevertheless confirm that the Czechoslovak economy is the most energy intensive in the world. The hard fact remains that in terms of the dynamic growth in these indica ors after 1970 the relationship between the energy intensiveness of the Czechoslovak economy and the economies of industrially advanced countries has not changed, even though the energy intensiveness of national income formation declined continually from 1970 to 1985.

A plan for fuel and energy management has been conceptualized through 1990, taking account of its current status, the situation in the obtaining of fuel and energy resources domestically and abroad, potential improvements in consumption efficiency, and other considerations. This plan has been based on the economic strategy approved by the 17th CPCZ Congress in Main Objectives of the Socio-Economic Development of the CSSR for the Period 1986-1990 and Prospects Through the Year 2000. This conceptual plan contains the following major objectives:

--reducing fuel and energy consumption per unit of gross national product by an average of 2.9 percent annually;

—using State Priority Program 02, Improving the Consumption and Use Efficiency of Fuel and Energy, to achieve total savings by 1990 of 15.4 million tons of standard fuel equivalent over 1985 consumption figures;

—gradually implementing progressive structural changes in fuel and energy management, including the further development of nuclear power and centralized heat generation facilities, developing the conditions necessary to increase natural gas imports, significantly reducing heating oil consumption, moving towards a brown coal extraction target of 94 million tons by 1990 so as to reduce its unfavorable influence of its combustion on the environment, and increasing the extraction of bituminous coal to roughly 25 million tons with an emphasis on coal that is suitable for coking;

—the more efficient use of fuels and energy in the nonproduction sphere and in households;

--the production of 87-90 billion kilowatt hours of electricity by 1990, some 25 billion of which will be generated by nuclear power plants.

When viewed in terms of national income formation, the basic goal of fuel and energy policy through the year 1990 of reducing energy intensiveness by 2.9 percent annually may be represented as follows:

	1980 actual	1985 actual	1990 actual
National income formation (1984 prices) in billions of Kcs	555.23	619.2	737
Domestic consumption of primary energy resources (millions of tons of standard fuel equivalent)	103.25	106.69	109.55
Energy intensiveness (thousands of tons of standard fuel equivalent per billion Kcs of GNP	185.9	172.3	146.6

The above figures are indicative of the great difficulty of the assigned task. We are attempting to increase the growth rate by a factor of two in comparison with the Seventh 5-Year Plan, which means an average annual reduction in energy intensiveness of almost 3 percent. Most of the reductions will be achieved within the context of State Priority Program 02, Improving the Consumption and Use Efficiency of Fuels and Energy. Efficiency enhancement programs due to be implemented in the Eighth 5-Year Plan are projected to result by 1990 in reductions equal to 15.4 million tons of standard fuel equivalent. In contrast to previous periods however, additional measures will have to play a much larger role in reducing energy intensiveness. This involves factors that operate outside of the energy management area.

It is essential to begin the rapid practical implementation of R&D findings, to improve product quality, reduce reject rates, improve capital asset utilization rates, etc. Concurrently we must set the groundwork for desirable structural changes in our economy through the more efficient utilization of energy intensive products and materials. In conjunction with tasks related to reducing energy intensiveness we must just as urgently work towards implementing tasks in other sectors of our economy, and particularly reducing materials costs as a percentage of output by 1.5 percent as an annual average, and increasing by a factor of three the rate of decline in production consumption per unit of national income in comparison with the past 5-year plan.

Another indication of the difficulty of this goal is that almost 50 percent of past increases in national income have been accounted for by reductions in fuel and energy consumption. In the Eighth 5-Year Plan some 80 percent of projected national income increases is to come from reduced fuel and energy consumption. The production sphere must play an important role in meeting this target. As in the Seventh 5-Year Plan projections call for reduced consumption of fuel and energy equal to roughly 1 million tons of standard fuel equivalent over the entire five year period. In contrast with the Seventh 5-Year Plan however, the production sector is slated to increase its output at a faster rate during the Eighth 5-Year Plan. The nonproduction sphere will also be expected to improve and expand efficiency enhancing programs. This is indicated by the distribution of fuels and energy among these areas and converted to primary energy resources (tons of standard fuel equivalent):

	1980 actual	1985	1990	Increase 7th 5-Yr plan	Increase 8th 5-Yr plan
Total domestic consumption of primary energy resources	103.25	106.69	109.55	3.44	2.86
Consumption of crude oil and petroleum products for non-energy purposes (chemicals, motors of all types, etc.)	13.98	13.55	13.75	-0.43	0.20
Total fuel consumption for energy purposes	89.27	93.14	95.80	3.87	2.66
Composed of:					
Consumption of nonallocated fuels and energy	1.17	1.29	1.34	0.12	0.05
Consumption of allocated fuels and energy	88.10	91.85	94.46	3.75	2.61
Broken down into:					
Production sphere	61.82	60.79	60.10	-1.03	-0.69
Nonproduction sphere	26.28	31.06	34.36	4.78	3.30

The fuels and energy management plan for the Eighth 5-Year Plan also calls for a significant change in the structure of domestic fuels and energy consumption. This involves increasing the use of natural gas and of electricity generated by nuclear power plants to offset reductions in the use of heating oils and, above all, brown coal. These projected structural changes will significantly improve the ecological situation and are illustrated by the following table:

	1980		1985		1990	
	mil. tmp[1]	%	mil. tmp	%	mil. tmp	%
Domestic consumption of fuel and energy resources	103.25	100	106.69	100	109.55	100
Composed of:						
Solid fuels	63.89	61.9	65.12	61.0	60.77	55.5
Gaseous fuels	9.08	8.8	11.71	11.0	16.12	14.7
Liquid fuels	26.26	24.3	23.17	21.7	20.31	18.5
Other fuels	4.02	3.9	6.69	6.3	12.36	11.3
Including: electricity from nuclear plants	1.58	1.5	3.94	3.7	8.00	7.2

1. Million tons of standard fuel equivalent

The fuel and energy management plan for the Eighth 5-Year Plan also includes provisions for a future increase in electricity generation as a percentage of total fuel and energy resources. While consumption of primary energy resources is increasing at an average annual rate of 0.5 percent, electricity consumption is increasing at an average annual rate of 2.52 percent, a rate that is 0.2 percent faster than during the Seventh 5-Year Plan. Despite this growth rate, however, proposed sources of electricity still do not make it feasible to use electricity for many production processes.

Electricity production will increase to 87-90 billion kilowatt hours by 1990. This increase will be largely related to the growth of our nuclear power industry. By 1990 our nuclear power plants will be generating some 25 billion kilowatt hours of electricity, which will represent 28-30 percent of total electricity generated in the CSSR. Projections call at the same time for a reduction by 7.3 billion kilowatt hours in the electricity generated by public steam power plants. The growth of nuclear power represents a critical structural change in our electricity generating capability and therefore as well as our fuel and energy management plans. Projected nuclear fuel consumption for the Eighth 5-Year Plan is 40 million tons of standard fuel equivalent, which equates to 115 million tons of brown coal.

Our participation in the construction of the Chmelnik nuclear power plant in the USSR will allow us to increase our electricity imports by 1990 by 6 billion kilowatt hours, which will have a positive impact on our fuel and energy management.

Standard fuel consumption for electricity generation in steam power plants is slated to decline by 1.6 percent to 370 grams of standard fuel per kilowatt hour.

The following table illustrates the projected structural changes to be implemented during the Eighth 5-Year Plan:

	1985	1990	Index
Electricity generated in CSSR (in percent)	100.0	100.0	-
Composed of:			
Public steam power plants	67.1	53.6	79.9
Nuclear power plants	14.6	28.6	195.9
Hydroelectric plants	5.2	5.7	109.6
Factory power plants	13.1	12.1	92.4

Since nuclear power plants will gradually become the chief sources of electricity for our electric power grid, with steam power plants operating strictly at off-peak, seasonal periods, we will have to work out a system for supplying the steam power plants with fuel. Concurrently we must improve the management system for electricity useage in the consumption phase.

During the Eighth 5-Year Plan coal will continue to occupy an important position in domestic consumption patterns of fuel and energy resources. Its percentage of total fuel and energy resource use will decline, however, from 61 percent in 1985 to roughly 55 percent by 1990. Our large domestic coal reserves are in part responsible for the high percentage of coal useage.

Bituminous coal mining will decline by 1990 by 1.2 million tons. This target reflects both existing stocks and the capacity of the mining facilities in the coal regions. In many instances the natural environment for mining is deteriorating, and many mining sites have been closed because of the danger of mountain shocks. The reduced target for bituminous coal mining also reflects the worsening economics of mining. Because of the changing production structure for bituminous coal we need to explore the potential for using bituminous interlayers and slurry in units that burn brown coal.

Despite this reduction in output we will still mine sufficient coal to provide for the coking needs of our own metallurgical sector, with enough remaining to export for the metallurgical industries of several CEMA member countries under previously agreed upon bilateral coordination plans. Because we have one of the highest utilization rates of coal reserves in the world, the maintenance of which requires ongoing substantial investment in the modernizing and upgrading of mining and processing facilities long range plans call for a gradual reduction in our export activities.

Brown coal mining will decline by about 6.6 percent by 1990, to a level of about 94 million tons. This reduction is related to the growth of the nuclear power sector. This structural change, however, will make demands on the flexibility of the coal mining sector, which will become responsible for compensating for seasonal fluctuations in electricity demand. We therefore need to plan for mining facilities that can be put fully on line on short notice. Plans for brown coal and lignite mining under these conditions must pay great attention to efficiency considerations. Overburden removal operations at surface mines will have to be managed differently to provide both certainty of operation as well as operational efficiency.

Increased resources of natural gas will exert a significant influence on our fuel and energy management plans. This is especially true for the final years of the Eighth 5-Year Plan when significant new supplies are expected to come on stream from the Yamburg pipeline.

Natural gas supplies will increase by 1990 by 4.8 billion cubic meters to a level of 15.6 billion cubic meters. Natural gas will play a significant role in our future fuel and energy management activities. It must replace dwindling supplies of coal gas, most of the planned reductions in heating oil usage, and play a greater role in the tertiary sphere because it is such a clean fuel. It is also planned as a replacement for quality graded coal and to cover certain important technological needs. Natural gas consumption will increase from 11 percent of total domestic fuel and energy consumption in 1985 to almost 15 percent of the 1990 total. The long range program of converting appliances from coal gas to natural gas will continue. Some 350-360,000 appliances will be converted in the Eighth 5-Year Plan. As a result coal gas consumption will decline by some 1 billion cubic meters by 1990. This is necessitated by the decline in coal gas supplies as well as by the directive to reduce the energy intensiveness of the economy in part by cutting back fuel processing techniques that consume large amounts of energy. One of the most important of these projects is phasing out coal gas production at the Zaluzi u Mostu facility. This will have a side effect of simultaneously increasing supplies of quality graded coal.

Another component of our long range strategy is reducing the use of crude oil as a primary energy resource, directing its use rather to the chemical industry and other areas where more value can be added to it in processing. This partly involves significant reductions in heating oil consumption during the Eighth 5-Year Plan. The total planned reduction is 33 percent, i.e. by 2.3 million tons. (This follows a 22.6 percent reduction in its use in the Seventh 5-Year Plan, i.e. almost 2 million tons).

Fulfilling the above will be both difficult and complex. It will require the adoption of a number of measures including reduced consumption, substitution with other appropriate fuels, mainly brown coal and natural gas where possible, the use of heat produced by steam and nuclear electric power plants, the phasing out of production processes that use highly refined fuels ineffectively, the use of secondary energy sources, etc.

Projections are for crude oil and petroleum products to decline as a percentage of domestic fuel and energy consumption from 21.7 percent in 1985 to 18.5 percent by 1990.

Implementing the above structural changes in fuel and energy management, and in particular increasing the value added to fuel and energy inputs are among the fundamental tasks of the near future. It will require the full implementation of the measures specified in the Eighth 5-Year Plan. This is one of the conditions for the smooth development of the economy. Reducing energy intensiveness by 2.9 percent annually has long range strategic importance. It is not only a vitally important objective for the near term, but also for the successful implementation of projected growth targets for the national economy by the year 2000.

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FUEL AND POWER GENERATION SHORTCOMINGS CRITICIZED

Prague HOSPODARSKE NOVINY in Czech No 4, 1987 p 2

[Article by Frantisek Antene, CPCZ Central Committee staff member: "Commentary: Fuels and Power Generation"]

[Text] Last year we had to adapt our delivery systems for fuels and energy to changing domestic and foreign conditions. Specifically, we had to deal with a shortfall in electricity generation by hydroelectric power plants of almost 800 million kilowatt hours caused by low water levels; increase deliveries of graded coal to the Coal Warehouses enterprise; and reduce imports of electricity from the Soviet Union, which were compensated for by natural gas.

Our fuel and power generation base coped with these changes in its operating environment fairly well. This was possible because of the performance of all its constituent sectors. It required the initiative of miners who were working even over the Christmas holidays in open pit mines, but who succeeded in exceeding their annual target by almost 3.8 million tons of coal. This in turn made it possible to increase the output of steam power plants by more than 700 million kilowatt hours, maintain enough reserves for winter operations, and exceed planned deliveries to the Coal Warehouses enterprise by more than 1.8 million tons.

Other power generation sector workers had to put forth extraordinary efforts. Greater demands for electricity production from steam power plants necessitated a number of exceptional measures, including shifting normal maintenance to days when consumption is lower, such as Saturdays, Sundays, and the Christmas holidays. The reliable operation of our nuclear power plants was a great help in dealing with these emergencies. These units exceeded their generation targets for the year by 926 million kilowatt hours, accounting thereby for 21.1 percent of our total electricity generation, in comparison with 14.6 percent in 1985. This was feasible largely because of the startup of two additional units at the Dukovany complex. This marks a great success for our engineering and construction sectors.

Domestic consumption of electric power, according to preliminary results, reached approximately its projected level, i.e. roughly 86 billion kilowatt

hours. In contrast to 1984 and 1985, when we consumed about 1.5 billion kilowatt hours in excess of the amount projected, this shows a tightening of planning discipline.

Even though electricty supplies were adequate last year, total electricity generation is almost exactly equal to our requirements. The same will be true this year, which means that we need to conserve electricity wherever possible and exercise considerable discipline as consumers.

With regard to gas supplies for heating purposes we are in better shape than a year ago because larger deliveries from the Soviet Union have enabled us to store more reserves in underground tanks. After extracting 756 million cubic meters of natural gas in the fourth quarter of 1986 we begin the new year more than 1.5 billion cubic meters of natural gas in inventory, which is about 400 million cubic meters more than we had at the same time last year. Still, we must consume heating gases carefully because in cold weather gas consumption increases by more than 1 million cubic meters for every additional degree decline in temperature. This draws down the supplies in uur underground tanks rapidly, and when there are long cold snaps we have to regulate consumption by the largest users to take care of the general public. Drawing from underground tanks reduces the pressure of the input gas and therefore as well of the reserves needed to cover peak use periods in cold weather.

For instance, if in December we have to begin regulating deliveries when average daily temperatures stay below -7° Celsius for a given period, then in January we would have to begin regulating at -5°C, and then at still higher temperatures in subsequent months. This eventually can have a negative impact on production targets, as was the case in 1984. It is therefore essential that whatever facilities have the capability of switching to heating oil maintain enough standby supplies of heating oil so these can be used when natural gas regulation is put into effect.

The situation in graded coal supplies may be described as very serious. Even though a number of measures have been taken to limit its use by the largest consumers in the interest of public health, consumption has not only not decreased, but has actually continued to increase, thus causing some nearly insoluble problems. At the same time reserves of coal suitable for grading or for making into briquettes are declining. While deliveries of graded types of brown coal fuel exceeded 27 million tons in 1971, they had declined to 21 million tons, i.e. by about 20 percent, by 1980. This occurred despite the fact that total brown coal extraction had increased by more than 13 million tons over the same period. Because of continuing high demand we are maintaining this level of extraction, but much of the coal is of interior quality, has less heating capacity and a higher ash content. Even so, we must expect during the 5-Year Plan on a further reduction in graded coal availability on the order of 2 million tons, and that this trend will continue into the future. Solving the problem through imports is, practically speaking, impossible because all coal exporting countries are having the same difficulties.

Because this is a very sensitive political issue it is essential that all territorial offices, including party offices, monitor the fulfillment in individual krajs and okreses of planned targets for the shift of large users of graded coal to other types of fuel, primarily lower quality, single purpose brown coal. This is the only way to obtain enough graded coal to satisfy increased demand from the general public, given the declines in its workable reserves. There is considerable potential here because in addition to consumer inventories of graded coal, other consumption amounts to more than 5 million tons.

Without a responsible attitude on the part of this sector and all components of the national economy, including the general public, to conservation and the efficient utilization of all fuel and power resources we will not be able to meet the targets set for us in these areas. This is why the 17th CPCZ Congress set the task of reducing the energy intensiveness of our economy by 2.9 percent annually. This is twice the rate of the Seventh 5-Year Plan, but it is the only possible way to avoid problems in obtaining adequate fuel and energy supplies as we have encountered in the past. For the production sphere this means meeting production targets with no additional fuel and energy supplies. At new operations additional supplies can be obtained only through conservation.

Conserving fuels and energy must be understood as an important factor in intensification. The resources expended on acquiring fuel and energy resources are substantial and continuing cost increases create a large burden for our economy. For instance, these costs increased between 1984 and 1985 by Kcs 7 billion alone. Therefore, even though we succeeded during this year in reducing the energy intensiveness of our economy by 0.8 percent, its energy intensiveness expressed as the number of korunas invested in fuel and energy resources per koruna of formed national income would have increased by 6.1 percent over the same period.

Reducing energy intensiveness urgently requires the further mobilization of public inspection commissions for comprehensive socialist efficiency enhancement to facilitate the exploitation of all underutilized capacities, to improve the valuation given to fuels, energy, raw materials and materials, to oversee the more rapid and timely practical implementation of R&D findings, and the introduction of new technologies and production processes that conserve resources. Party offices need to get involved heavily in the activities of these commissions.

Inspections conducted by the CSSR People's Control Commissions and the State Energy Inspectorate continue to uncover shortcomings such as waste and irresponsible attitudes to conservation tasks. It is a positive sign that the number of these shortcomings has been declining. This has come about in part because of improved performance by all three engineering sectors, as well as the fuel and power and transportation sectors. The unfavorable trends are continuing, however at other sectors, among them the Ministry of Industry of the CSR, both ministries of construction, and the ministries of agriculture and food.

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GROWING INTERDEPENDENCE OF CEMA COUNTRIES ANALYZED

Budapest OTLET in Hungarian 5 Mar 87

[Interview with Laszlo Csaba, chief associate of the Research Institute on the Global Economy by Katalin Gorgey]

[Text] Is CEMA still-water or are there some currents flowing? The cooperative mechanism of CEMA received a highly critical review at the 42nd session. The need was also defined in political terms: there is no need for partial modification, the entire cooperative model must be reexamined. This fact provided an opportunity for us to confront the problems in a conversation with Laszlo Csaba.

[Question] Over the past few years we witnessed certain contradictory processes in Hungary. We "opened up" toward the external economy. We established the fact that intensive developmental strategies have no basis in fact either at the national or at the CEMA level. Meanwhile our export potential did not increase, it actually decreased. We tried to achieve a foreign trade balance by restricting convertible currency imports. It seems that under these conditions the interdependence of CEMA nations would increase.

[Answer] That is exactly the way it is. And even more so because the symptoms you mentioned are characteristic of the rest of the socialist countries also, not only of Hungary. Statistics show that the proportion of global trade conducted within CEMA nations, and by CEMA nations with the west is continuously decreasing. An exclusionary process is beginning to take shape. The solution: a comprehensive, market-oriented reform of cooperation. The idea of converting CEMA into a common market of a regional character has emerged already in the 1960's. This idea is still relevant.

[Question] What are the chances of a comprehensive reform when there are major differences between the economic management systems of various CEMA nations? The level of enterprise autonomy is different, and so is the system of vested interests, of management and of control, just to mention the most important factors.

[Answer] The chance is being provided by the 27th Congress of the Soviet Communist Party. It announced its economic transformation and acceleration program. The effects of that program will be felt in the rest of the socialist nations too. During the past two decades it became clear that the internal economic systems must be transformed in order to change the system of cooperation. This need was felt especially in the context of direct inter-enterprise relations and in attempts to implement Soviet proposals for the initiation of joint enterprises. Enterprises do not have greater decisional authority in foreign trade than they have in the domestic market. It is futile to offer goods abroad when domestic materials to produce those goods are unavailable, if in order to sell a given product one requires permits from several dozen authorities, etc. In this way the cooperative mechanism reflects the mechanisms of domestic situations. Therefore, within CEMA, in the long run, one must take into consideration the differences in economic management systems; on the other hand, a flood gate system for these different systems must be developed--and this, of course cannot function according to the mechanisms of nations that have the most developed economic systems.

[Question] What can we count on in the short run?

[Answer] In my judgment we can undertake some bridging solutions only. We must establish conditions that enable direct inter-enterprise cooperation. In the Soviet Union there already exist some enterprises which enjoy a certain degree of autonomy in foreign trade. They are planning to have one in Czechoslovakia also. If we provide some freedom to a narrow circle of enterprises, we may create a product line that is outside of the planning hierarchy, one that is not divided into five individual years.

[Question] Permitting interests to prevail proved to be difficult even within one country, and is inseparable from financial conditions. CEMA's pricing system has so far received countless criticisms. Would you say that all problems could be resolved if CEMA's method of accounting would be based on some real money, such as the dollar, rather than on transferable rubles?

[Answer] There are many who think so. Dollar accounting has been used in CEMA commercial transactions for more than a decade. This is very useful for the bridging of short-term problems. If one has assets he will receive those at the end of the year. On the other hand one must also recognize that commercial methods involving dollars, their total effect on technological development, does not take a route independent from ruble accounting. Most of this kind of accounting is planned: it serves as a medium of payment as reconciled by central authorities. CEMA's commercial transactions are based on international agreements which define the volume, choice and structure of product flow. There is not much room left for international monetary considerations under these conditions. The potential function of money is not determined by the names and denominations of currencies. Money is the condensed expression of an entire system of economic management. It is futile to talk about strengthening the function of money if there is no merchandise, if there are no independent businesses. Under such conditions prices are not formed on the basis of supply and demand, and everything remains at the level

of slogans. Once again, this suggests that the system of CEMA cooperation can change only subject to changes in the internal economic management systems.

[Question] Yes, but the entire functional system of CEMA affects the economies of the various member nations, and it is the mid-term and long-range commercial product-exchange agreements that provide some force for conservation. In this connection the CEMA market provides an advantage, by providing a market for our medium and low quality products also.

[Answer] Hungarian economists have felt already in the 1960's that in the case of products that are sensitive to economic boom--except for raw materials --long term commercial agreements for the exchange of products lead to the neglect of choice and of technical quality. By now the Soviet economists say the same. We are the victims of our own miscarriage, if you will. Although CEMA continues to constitute a "soft market", here too the conditions are hardening. Today the Soviet Union has completely different expectations from the Hungarian economy than it had before. Their primary expectations are no longer in the area of machinery. They are looking for agricultural and light industry products of appropriate quality. If we do not comply with these expectations we will not receive the products we greatly need.

Production costs limited the available amount of Soviet raw materials. But if supply is limited, so are the exports under bilateral accounting--exports at rational levels that are consistent with national interests. We were unable to renew production and specialization agreements that have existed in the early 1980's, not to speak of reaching some additional agreements. The industrial structure that has evolved--one that did not keep in step with global market demands anyway--has by now become totally obsolete. This is the immediate reason for deteriorations in exchange ratios so far as Hungary is concerned, whenever something happens in world markets. We are incapable of adapting.

It is a self-absolving reflex, and it is incorrect to blame our weaknesses on CEMA. It is usually the internal economic management that is afraid of making changes, because such changes are accompanied by social conflict. We always prefer to take the easy route in the short run. We prefer to cry rather than to adapt.

In a different perspective: CEMA does not constitute a whole in the sense that it would provide some kind of super-national unity. The long-range technical program is formulated by harmonizing the various national programs. The partners cannot be blamed if we find partners to accomplish our incorrectly chosen goals. Quite obviously it would be beneficial if we could advance jointly, if we could jointly manufacture some products that meet global standards. And, of course, it is true that joint progress always means keeping in step with the country that progresses at the slowest pace.

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STATE SECTOR INVESTMENTS IN 1986

Budapest FIGYELO in Hungarian 12 Mar 87 p 6

[Article by dr Ivan Kende based on the report of the State Developmental Institute: "Investments, 1986"]

[Text] Tight developmental resources in the socialist sector were concentrated primarily on the continuation or completion of investment commitments made earlier. Only a limited number of new developmental projects scheduled in the medium-range plan were started. The role of credit and of benefits and subsidies provided by the government to enhance export capacities and for some special programs and cost reduction measures has increased. Socialist sector investments remained fundamentally at the 1985 levels.

Using current prices, the socialist sector invested 204 billion forints in 1986.

How Much Money?

More than 14 billion forints were allocated to major investments. This is 30 percent below the 1985 level. Compared to plan projections adjusted during the year, the actual amount fell short by about 7 percent. During the year the State Planning Committee made a downward adjustment in the budgets of four major investment projects (Mecsek metallurgical coal production development, Paks nuclear power plant, Ferihegy Airport and the North-South line of the Metro) amounting to almost 4 billion forints. Of this amount 300 million forints were rescheduled for the development of coal mines. Failure to meet the plan may be attributed primarily to delayed delivery of imported machinery and to delayed billings.

As planned, total investments in the targeted group amounted to 24 billion forints in 1986. The level of targeted group investments aimed mostly at the expansion of the productive infrastructure exceeded the previous year's level by 20 percent.

Various ministries and authorities spent 13 billion forints on other centrally financed investments. Compared to 1985 outlays, the 10 percent projected growth rate was realized at 6 percent. This shortfall may be credited to investments controlled by the Ministry of Industry. Other central investment authorities (Hungarian Academy of Sciences, Ministry of Culture and Education, Ministry of Health and the regulatory bodies) significantly exceeded the projected growth rate. This excess growth, however, did not offset the low performance of the Ministry of Industry.

Investments by councils for purposes of the people's economy amounted to 31 billion forints--a level unchanged from the previous year. Less was spent on residential construction, and on improvements in water supply and in sewege treatment facilities. At the same time, however, larger amounts were spent on cultural, educational and sports establishments, and within these on the development of mid-level education, transportation and telecommunications, as well as on the expansion of the commercial network.

Investments subject to the discretion of enterprises amounted to 123 billion forints, exceeding the 1985 levels by 10 percent. Compared to adjusted plan projections, combined investments by enterprises and cooperatives increased by 5 percent only. The trend of the past several years continued: state-owned enterprises were increasingly inclined to make investments, while cooperatives did not even reach the low base levels.

Where Did The Money Come From?

Somewhat more than one-third of the investments were paid from the resources of the central government and of the councils. Two-third of the investments initiated by the central government, and barely more than 10 percent of the investments initiated by enterprises were paid from central resources. Compared to the previous year, within these two decisional spheres the self-financed share increased by 9 percent and 4 percent respectively.

Detailed analyses show that the combination of resources varies greatly within the central decisional sphere. Except for major investments, for which the base financing is provided almost entirely by the state budget or from state resources, the ratio of the self-financed share is significant. Enterprises obtained 14 percent of their investment share from bank credits. Total subsidies represent only 11 percent of developmental funding. Compared to 1985 data, the ratio of credits dropped by a few percentage points, but actual demand for credit fell substantially short of the potential amount of credits available in 1986. The number of borrowers did not increase, even though the volume of available credit increased significantly. The ratio of state subsidies did not change substantially, but enterprises and cooperatives did not fully utilize the subsidies that had been granted.

During 1986 the volume of investments financed entirely out of enterprise funds, without the utilization of outside resources has expanded. Sixty percent of the enterprises made such investments.

What Was The Money Spent For?
From among the major investments the new coking bloc of the Danube Iron Works became operational during 1986. This plant is suitable for the annual production of more than 1000 kilo-tons of metallurgical coal. Within the targeted group category the two largest investors, the national Crude Oil and Natural Gas Trust, and the Hungarian Postal Service had outstanding expansion opportunities: each increased its developmental funding level by 40 percent over 1985 levels.

Sample listing of completed enterprise investments resulting in an operational status during 1986:

Chemical industry: expansion of the finishing and packaging capacity of Chinoin Pharmaceuticals, (World Bank financing);

Foundry industry: establishment of a boiler plant that captures and re-uses the heat produced in the course rolling mill of the Lenin Foundry Works, (energy consumption rationalization--World Bank financing);

Machine industry: increased manufacturing capacity in electro-mechanical component parts and frame structure, Kontakta Component Parts factory, (World Bank financing);

Light industries: reconstruction of the corrugated paper plant of the Nyiregyhaza Paper Mill;

Food industry: reconstruction of the Sarkad Sugar Factory and of the sugar mill of the Agricultural Combine at Mezohegyes;

Mining industry: Borsod Coal Mines--development of the Putnok shaft and of the Radostyan surface exploitation site;

Building materials industry: reconstruction of the Putnok Brick Works, and development of the Matra Concrete Plant using gaseous processes;

Agriculture: three liquid fertilizer plants within the Babolna Industrial-Scale Corn-Growing System.

DISTRIBUTION OF 1986 INVESTMENTS
PER DECISIONAL SPHERES
(In Percentages)

DECISIONAL AUTHORITY	1985 ACTUAL	1986 PLANNED	1986 ACTUAL
Major Investments	11	8	7
Targeted Group Investments	10	12	12
Other Central Investments	6	7	6
Total Central Investments	27	27	25
Investments by Councils	15	15	15
Investments by Enterprises	58	58	60
Total Socialist Sector Investments	100	100	100

INVESTMENT RESOURCE COMPOSITION
(In Percentages)

DECISIONAL AUTHORITY	CENTRAL FINANCE	BANK CREDIT	SELF FINANCE	TOTAL
Major Investments	98	-	2	100
Targeted Group Investments	45	-	55	100
Other Central Investments	70	-	30	100
Total Central Investments	66	-	34	100
Investments by Councils	100	-	-	100
Investments by Enterprises	11	14	75	100
Total People's Economy Investments	38	8	54	100

* Budgeted amounts, loans made by the government, government subsidies, decentralized resources controlled by councils.

12995
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JOINT ENTERPRISE ROUNDTABLE

Budapest FIGYELO in Hungarian 26 Feb 87

[Text] By the end of last year there were more than 70 enterprises joint enterprises formed in Hungary with the participation of foreign capital. In 1986 alone, foreign partners invested $20-22 million in 20 new joint enterprises. Is this a lot or too little? Does this signal a breakthrough compared to previous years? Did new legal provisions that went into effect on January 1, 1986 indeed produce the hoped-for results? To answer these questions, the following individuals were invited to our editorial roundtable: economic director Janos Illyevolgyi (Selectronic), chief accountant Ferenc Maroti (Kemipur), managing director Csaba Mathe (Sancella-Hungary), managing director Jozsef Menyhart (Sphero-EVIG), Peter Riedl from the Ministry of Finance, managing director Otto Schwarcz (Tungsgram-Schreder), and managing director Laszlo Sperber (Schwarzkopf Cosmetics Ltd.). Andras Varga represented our paper.

Peter Riedl stated that in answering these questions first we must recognize and accept the given features of Hungarian society and of its economy, and second, we must keep in mind that Hungary has joined the competition for foreign capital at a rather late date, and in a manner that was contradictory. The contradiction may be seen in the fact that direct involvement of joint enterprises in production was expressly prohibited under Ministry of Finance Rule 28/1972, while under present regulations it enjoys preferential treatment.

Last year's capital inflow of 1-milliard 1-billion forints is substantially larger than that of previous years, but this level is still far less than what could be deemed satisfactory. Capital inflow must not be viewed as a one time campaign task, but rather as a continuous process. As any process, this process too must gain strength and acceptance. In order to accomplish this, Hungarian enterprises should know what they want to accomplish. There are only a few sound ideas. Hungarians frequently experience trouble in responding when foreigners ask what they want. The unpreparedness of

Hungarian enterprise negotiators to negotiate frequently shakes the foreign negotiators' confidence.

Applicable Hungarian regulations are beginning to settle, but there exists a trend which, for "modernization's" sake, continually wants to modify the rules. This then prompts foreigners to adopt a "wait and see" attitude, because the trend creates a semblance of instability.

Several of the guests pointed out the characteristics of international capital flow, and in particular the direction of that flow, which is the Far East and North Africa. Relative conditions for working capital are most favorable in these areas. Accordingly, there is no abundance of available working capital in world markets for Hungary either. In addition, one must recognize that the kind of prosperity that generally attracts capital, does not now exist in Hungary.

In addition to listing backward conditions within the infrastructure (e.g. telephone and telex service), Kemipur's representative brought out the fact that due to pressing foreign exchange concerns, Hungarian negotiators are forced to make an unsophisticated pitch for Hungarian exports right at the beginning of negotiations. This happens at a time when the foreign negotiator has the same thing in mind: he too wants to find a new export market for his products. Representatives of both Sancella-Hungary and Selectronic pointed to the absence of favorable market conditions and of truly competitive positions. This void is then topped by a low sense of duty in effecting deliveries and making payments. None of these problems can be resolved overnight. For this reason, the process should not be intentionally forced, because it would result in make-shift accomplishments which would haunt us later.

The foreign founders of both Tungsgram-Schreder and of Selectronic were motivated in part by their perception of Hungary as the gateway to the CEMA market. The Belgian firm Schreder subsequently discovered that this perception was incorrect and chose to establish joint enterprises in other socialist nations also. (Following negotiations in Yugoslavia and in China, it is now conducting negotiations in Poland.)

The opportunities implicit in such indirect roles should not be overlooked, according to Otto Schwarcz. But Hungary is delayed even in this respect, since the Soviet Union has opened its doors to foreign capital investment, he added.

According to Sphero-EVIG's representative the opening of other socialist nations to foreign capital investment had a distracting effect, because CEMA nation enterprises had continually maintained relations with one and the same circle of capitalist firms. The representative of Schwarzkopt Cosmetics Ltd. called attention to a situation which endangers efficient production. This situation emerges as a result of the building of parallell, small-series production capacities.

The participants more or less uniformly agreed that small capacity, low capital intensive Hungarian joint enterprises should not, under any circumstance, consider establishing large-scale production capacities to satisfy the market demands of socialist nations, even though they would need to be able to export to those markets also. Until such time that problems related to products, finances and foremost of all, to foreign exchange are resolved, Hungarian enterprises should pursue other avenues, such as barter transactions, or the inclusion of mercantile firms that are owned by capitalists, on occasion by Hungarians, or by the foreign founder of the joint enterprise.

Based on his own experience, Jozsef Menyhart reported that his enterprise is negotiating the establishment of a barter transaction with a Czechoslovakian pump manufacturer. The situation is being made difficult by the fact that pumps similar to those offered by the Czechoslovakian manufacturer are being manufactured in Hungary also. They have been confronted with so many administrative obstacles that the initial ambition manifested by both sides is fading away. The Director of Tungsgram-Schreder expressed the opinion that the inhibition caused by the CEMA opening to foreign capital investment is greater than the actual impact of the opening could ever be. He pointed out the fact that among his enterprise's products there are several which contain imported parts paid for in convertible currencies, but whose imported parts content nevertheless is lower than that of the industrial average. Accordingly, such products could find a place in bilateral contingencies.

According to a majority of the participants, the rate of foreign capital inflow to Hungary may be attributed to a large extent to domestic market conditions, in part to international trends, and to a lesser extent to the Hungarian legal setting. The latter has more or less settled, and is acceptable to foreigners.

The Hungarian system of taxation is not unfavorable to foreigners, Csaba Mathe emphasized. Moreover, on an international scale, the Hungarian tax system is among the more favorable ones, including features like the five year tax exemption. By all means, such features significantly improve the competitiveness of joint enterprises in the domestic market. When it comes to real life situations, however, there are some uncertainties. These uncertainties encompass applicability, effective date, duration of applicability, and interpretations. It is difficult to tell who, under what conditions, and why one may take advantage of those little escape clauses, rights, that are embodied in rules. These clauses and rights are not supported by general principles, they hinge on day-to-day determinations prompted by momentary Hungarian market conditions, the daily state of the economy, the struggle against inflation, etc. Such considerations may be comprehensible from the Hungarian viewpoint, but hardly from the foreigner's viewpoint. Take for instance the regulation of prices. Whether an enterprise may or may not raise prices, and whether the enterprise must wait a month or a year before it raises prices, depends on daily decisions. The foreigner's chief concern is the competitiveness of his product in the domestic market. He is at loss of understanding why he cannot raise his prices at a time when

his competitor receives permission to raise his price. Anything, except our domestic pricing policies can be explained to foreigners, the director of Tungsgram-Schreder concurred. The Schreder firm is at a total loss of understanding why, among its 19 production facilities the one in Hungary, with its low wages and its anticipated low overhead, has the highest overhead, even though the ratio of wages is substantially lower than elsewhere. This then prompts foreigners to think twice whether to reinvest their profits in Hungary, or to turn somewhere else--even though Schreder is not a good example, because last year they increased their original level of capital investment in their Hungarian joint enterprise.

The valuation of assets is also unclear. Joint enterprises cannot own real estate. This is explained among other factors by the fact that the constitution prohibits the sale of land to foreigners and places obstacles in the way of foreign real estate speculators. Restrictions in this respect are similar, or even more stringent in several capitalist nations (e.g. Switzerland and Sweden). But the fact that real estate subject to a 90 year lease cannot be listed as an asset, cannot be explained. If a piece of real estate costs 32 million forints today, (as in Sancella-Hungary's case) it certainly could be worth substantially more in a few years.

Ferenc Maroti called attention to the fact that in a great number of instances total chaos surrounds the applicability of certain regulations to joint enterprises. There are precedents for scenarios in which legal provisions that originally applied to domestic undertakings only, had been applied to joint enterprises, through belated notifications of joint enterprises. Others voiced the same concern, adding that ususally, only the various rules promulgated by the Ministry of Finance and State Wage and Labor Affairs Office [ABMH] are clear-cut, and that other agency rules, such as those promulgated by the National Material and Price Office [AH] seldom reveal the scope of the parties affected. This is bad practice and should be remedied as soon as possible.

Tungsgram-Schreder's inability to effect on-time deliveries for reasons beyond its control nevertheless remain Tungsgram-Schreder's concern. The timely arrival of certain imported electrical components that are to be built into final products, would also help in the preparation of competitive production and production itself. Four to six week delivery capabilities by western partners would be consistent with three months delivery cycles projected by joint enterprises. But tight import restrictions alone added another 1-3 months to joint enterprise deliveries in 1986, rendering Tungsgram-Schreder's light fixtures outside of the competitive sphere. The enterprise incurred a marked loss as a result of this. The extent of foreign investors' concern for profits, and the scope of immediate advantages they expect from investments in Hungary can best be judged through the example of joint enterprises that have begun production already. According to one estimate made by the Ministry of Finance, foreigners expect to realize a 20-25 percent profit margin. Considering the time frame in which Hungarian investments take place, the difference is rather large when it comes to joint enterprises. In the average, domestic enterprises complete their investment

processes within 3-4 years, while joint enterprises accomplish the same in a period of 1-1.5 years, and thereafter, within 1-1.5 years they expect profits from their investment.

Prior to the establishment of the joint enterprise Kemipur, the West German partner was the primary supplier of Elastogran polyurethane foam systems to the Hungarian market. The German partner's decision to establish a joint enterprise was clearly influenced by his determination to protect the firm's prior market position. But profits are of equal importance, and this is being manifested by the West German firm's requirement for detailed, monthly management evaluations, profits included. So far no decision has been reached as to whether the wants to take out its first year profits, or if it wants to reinvest it in Hungary.

Molnlycke, the Swedish founder of Sancella-Hungary, is purely profit centered. The firm is not interested in anything else, such as the provision of base materials or of machinery. They are very satisfied with the results so far.

Laszlo Sperber explained that the primary interest of the West German firm Schwarzkopf is to stabilize its market presence in Hungary. Such market presence provides a continued export opportunity for the firm. Schwarzkopf was amazed when already its first year of operation produced profits. Schwarzkopf stated that one of its subsidiaries may become profitable this year, for the first time in ten years of operation.

The foreign founder of Sphero-EVIG is a group of three companies owned by one family. Quite naturally, they too are interested in profits, but not so much in manufacturing profits than in profits derived from product marketing. This can be explained by the fact that a substantial part of the products manufactured by the joint enterprise and to be exported from Hungary are being re-purchased by the merchandising company owned by the founding family. Its primary interest therefore is that Sphero-EVIG produce low cost, high quality pumps. So far the foreign partner has not removed his profits from Hungary. It may be expected that with respect to this year's profits they will do the same as they did last year.

And how do relations with the domestic parent enterprise evolve? Little has been said about this system of relationships so far, because generally, the foundation process and the initial period of production is marked by the benevolent assistance of the domestic parent enterprise. It is only later that one finds out how smooth or how contradictory the process that leads to the joint enterprise's self-sufficiency and independence really is. Among other joint enterprises, Sphero-EVIG has treaded this route. This joint enterprise can be very thankful to the parent company's assistance during the foundation period, and, in part for assistance rendered later, when the joint enterprise faced temporary financial problems. With respect to certain markets, and in certain time periods EVIG viewed the joint enterprise as its own, including rights to promote its products and to negotiate sales with foreign buyers. Ultimately, the joint enterprise succeeded in persuading EVIG

that Sphero-EVIG was an independent legal entity. By now, this status is being fully honored by the Hungarian parent company.

The joint enterprise Schwarkzpf Cosmetics Ltd. has very close ties with the domestic parent company--it could not survive on its own. Services are being provided by Caola, including with respect to merchandizing and marketing policies, in lieu of appropriate payment, of course. The rapid completion of the required facilities can also be credited to Caola's assistance, and this fact has both advantages and disadvatages. Caola wants to get involved in details, and it is rather difficult to draw the line between the decisional limits of the parent company and of the joint enterprise. The dependence on Caola will be reduced in time, as the new firm becomes self-sufficient. For example fees paid for Caola's management and maintenance services make one wonder whether it would be more advantageous to hire independent experts.

Janos Illyevolgyi stated that Skala Coop, which has a rather broad network of joint enterprises, never had such concerns with respect to joint enterprises that were funded in part by foreign capital. The success of such efforts may be largely credited to good relations with the parent company, relations that materialized in the form of specific assistance in marketing, management, production and merchandising. This trend continues with respect to Skala Coop's endeavours as a commercial entity. A similar viewpoint motivated Hungarotex in the founding of Sancella-Hungary.

Unquestionably, the parent company's intent to "quasi-colonize" its joint enterprise is a frequent occurrence. Conditions of ownership are vague in Hungary. It is interesting to observe that hard-to-resolve tensions emerge mainly in the context of joint enterprises that are financially insecure, or in which the management view is outdated and old fashioned. These are the childhood diseases, which may be overcome in time, as so many examples prove.

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DATA INDICATE INCREASE IN VGMK MEMBERSHIP

Budapest FIGYELO in Hungarian 12 Mar 87 p 14

[Unattributed article: "Small Enterprise--Internal Entrepreneurial Forms in Industry"]

[Text] Toward the end of 1986 the Central Statistical Office [KSH] examined the condition of intra-enterprise entrepreneurship in 98 percent of the state-owned industrial enterprises and in 86 percent of industrial cooperatives. Within the industrial enterprises examined, there were 13,300 work associations [VGM]--an increase of almost 1500 or 12 percent over the same period in the previous year. The number of VGM's has increased by more than 20 percent within the mining and machine industries. Within the machine industry significant increases took place in the telecommunications and vacuum technology industries, as well as in the instrumentation and mass-produced metal products industries. In the foundry industry the already large number of VGM's shows a further increase of 13 percent in 1986, while the numbers remained unchanged or showed only a negligeable increase in the chemical, building materials, food and light industries.

Within cooperatives, not counting small cooperatives, 570 VGM's and 720 specialized groups were active at the end of 1986, their number has not changed substantially as compared to the year before. In viewing these numbers one must consider, however, that the number of cooperatives examined dropped from 589 in 1985 to 542 in 1986. One may assume that the impact of internal small entrepreneurship has increased in the cooperative sector, in spite of the increased stringency of regulations that came about in the meantime.

As a result of the increasing number of VGM's within the enterprises examined, the ratio of VGM members has increased from 11.8 percent in 1985, to 13.9 percent in 1986. Participation in VGM's continues to show broad variations between various branches of industry. The ratio of VGM members in the foundry, machine, machine installation and the paper industries reaches 20 percent, while in several sub-branches of light industry, in the food industry, and in other industries the ratio is less than 10 percent.

The majority of VGM's is functioning at places where (a) labor supply replacement problems appeared (e.g. in the foundry industry, but during the last two years an increasing number of mining VGM's were formed); (b) the varied pace of production frequently requires overtime work (in some areas of the machine industry); (c) experiences regarding sub-contractors and relationships with background industries is unfavorable; and where (d) due to labor shortages VGM's offset the work force distraction provided by the private sector. The latter occurs in certain fields of activities, such as maintenance.

By 1986, almost 22 percent of industrial enterprise workers were employed by an enterprise in which the VGM member ratio exceeded 20 percent, while an almost similar ratio (21 percent) characterized those enterprises which, from a practical viewpoint, do not have a VGM form. Accordingly, VGM activities became an organic part of enterprises only in a minority of the enterprises, while the majority (almost 60 percent) tried to maintain an "optimum" level of VGM's (meaning a medium or low level). This took place in view of then anticipated changes in regulations, which have since taken effect. According to information received from enterprises, business organizations viewed this form of overtime as a temporary solution, and the idea of keeping VGM work within the hours of primary work is becoming increasingly widespread. Pursuant to 1986 regulatory provisions, however, in its totality, the increasing use of VGM's continued to provide advantages.

At state owned industrial enterprises and at industrial cooperatives the combined total number of hours performed by internal entrepreneurial forms (VGM's and specialized groups) is estimated at 3 to 4 percent of the regular hours performed. This ratio is the same as in the case of overtime hours performed.

In 1986 the industrial enterprises examined paid out 10.5 billion forints to their VGM's, 1.8 billion forints more than in 1985. The per capita VGM member earing has reached 60,000 forints. (Approximately 50 to 60 percent of this figure represents wages, the balance covers taxes and other expenses incurred by VGM's.) Industrial enterprises paid out 10.7 percent of the annual aggregate wages to their VGM's in 1986. Amounts paid to VGM's within other enterprises was less than 10 percent of this amount [i.e. less than 1.07 percent]. This is consistent with the limitations on work performed by VGM's outside their enterprise. External VGM work is used mostly among enterprises with similar profiles, and in case of certain special installation projects.

Specialized groups functioned within 40 percent of the cooperatives examined. The ratio of specialized group members is 12 percent, payment for work performed within the cooperatives amounts to 827 million forints, the per capita member payment was 40,000 forints. The performance of specialized groups, at least within the traditional cooperatives, has increased at a lower pace in 1986 than in the enterprises during the same year. Advantages offered by increasingly favorable tax provisions as well as by legal and economic security strengthened the process of converting into small cooperatives in this area.

RATIO OF VGM'S AT INDUSTRIAL ENTERPRISES
(As of December 31, 1986)

INDUSTRY	PERCENTAGE RATIO OF ENTERPRISES WITH VGM'S	PERCENTAGE RATIO OF EMPLOYEES OF ENTERPRISES WITH VGM'S	VGM MEMBERS PERCENT OF EMPLOYEES PER INDUSTRIAL BRANCH	VGM MEMBERS PERCENT OF EMPLOYEES PER ENTERPRISE EMPLOYEES
Mining	80.8	98.8	14.0	14.2
Electrical energy	95.5	91.0	13.7	15.1
Foundry	84.2	97.9	19.4	19.8
Machine	91.3	93.5	15.8	16.9
Building materials	80.5	97.5	15.4	15.8
Chemicals	82.1	98.3	15.4	15.7
Light industry	80.9	92.2	11.4	12.3
Other	70.0	81.8	7.2	8.8
Food	70.8	82.1	9.5	11.5

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CATHOLIC PRESS COMMENTARY ON ECONOMIC SITUATION

Attitudes to Price Hikes

Katowice GOSC NIEDZIELNY in Polish No 5, 1 Feb 87 p 8

[Text] How can one tell that the first stage of economic reform is finished? Because the second one has started. So-called "transmitters" continually inform us about the beginning of the second stage. Recapitulations of the first stage are fewr and they often seem to be somewhat vague, as it were.

To an ordinary person the second stage is associated mainly with price increases. In any case, these "transmitters" stress this notion of the reforms in particular. Of course there is talk of raising wages for people receiving the lowest pay and benefits, those of the "old wallets." But both increases have already occurred in various postwar periods. The experiences associated with them have taught the people many things. For example:

1. The "lowest," despite offsets, usually have it worst.

2. In increase situations, it is usually not so much the smartest or most industrious who manage as those whose lines of work permit ignition of individual ingenuity (in one occupation the conditions for this exist, in other they do not). I say "individual" although the emphasis now is on group ingenuity, on enterprise in enterprises. Enterprising individualists are simply quicker at such moments, as experience again teaches us. Naturally, there closest relatives also manage well, although they may not be smart or industrious or even clever.

3. Price increases on various products are often associated, why knows why, with a decline in their quality ("more expensive-worse").

4. An increase is sometimes accompanied by the disappearance of certain articles from the marketplace, regardless of whether or not their prices have gone up.

5. An increase in prices, however, does not always carry with it an increase in the number of people for whom it pays to do perhaps thankless but very profitable work. Logically it should do so, but life in general and economic life in particular like to overlook logic on this point.

I have mentioned here phenomena associated with the historical experiences of people who have lived through more than one increase. The experiences of the past involuntarily give rise to many contemporary human associations, although of course one should not generalize and conclude on the basis of the fact that since something has happened several times, that is how it always must be. Maybe this time everything will proceed differently than before?

Some economic journalists express the hope that the price increases will contribute to the moralization and wising up of Poles. Some will learn better thrift and management. They will stop squandering their money foolishly, especially paying it out for vodka. An inner transformation of drinkers, under the influence of a price increase on anything, seems rather improbable, no matter how possible it is naturally. Yet thrift and management--kindred virtues since the beginning of the world--unfortunately are divergent in Poland. This is not the fault of the people, but rather the illogic of life again. It is frugality that often forces people to increase their expenditures to store up reserves of products that appear infrequently, for example. Or to buy a number of things, especially if one has waited on line a long time for them (time management). In addition, it can happen that a thrifty prson will be foolish in practice while a seemingly foolish person will be thrifty. This happens especially when acquiring goods that are becoming more expensive. How many thrifty people today regret that they did not open their wallets for a sheepskin coat, an automatic washer, better furniture, etc. And seemingly foolish people are laughing at them.

Over the past few decades various methods of accomplishing economic transformations have been tried. First, the class struggle which intensifies, as we were told, with the building the political system. The second method was investment mainly in heavy industry. The third was refraining, as far as possible, from investment in general. The fourth method was negotiating loans abroad. And finally, the fifth method--not in a chronological sense, because it usually appeared as a complement to other methods, was the method of certain necessary increases. The sixth point, the "green light," was also a complement, although less visible in practice than increases.

Perhaps I am vulgarizing a trifle--the beautiful, especially from the theoretical side, art of economics. But in practice it somehow turns out more or less this way. Why? An economic puzzle.

Economic Miracle Unlikely

Warsaw PRZEGLAD KATOLICKI in Polish No 5, 1 Feb 87 p 3

[Article by Piotr Wojciechowski: "A Subject for Discussion"]

[Text] People who discourse wisely about spirituality, culture and higher values do not broach the subject of money very willingly. The ones who talk willingly about money are most often those who need money, those who cannot make it very easily. Those who know how to make money and who make it probably do not talk about either about money or about the higher values of the national heritage. What they talk about, I do not know because somehow I rarely have the opportunity to mingle in the company of the country's

financial elite. Something that has passed should be evaluated and summarized; somethat that is coming is an opportunity for expressing expectations, for reflecting on the shape of hopes. And I have racked my brain over why one should still have hope, what it might be appropriate to expect. There are so many shortages, so much poverty and want all around that generalities full of sweet spirituality somehow ring false.

Except that optimistic declarations about financial and economic improvement sound even more false. I can still understand it when the authorities profess their faith in the miracle of the second stage of reform. It is harder for me to understand all those who generally do not believe the authorities but have no doubts that the miracle will come. I do not believe in an economic miracle. I see it as if on a plate--that it is possible, it is something for the taking. If only to draw conclusions from the simple fact that our greatest fortune is cheap, highly skilled labor. Where in the world can you hire an excellent architect or lathe operator for $100 a month; where can you find an intelligent electronics specialist for $80 or two good doctors for that amount?

We have learned how to extract coal from thin seams at depts of over 1,000 meters, but we will not soon learn how to make money off the fact that we have cheap experts, often at a fairly high level. Before that we have to learn to talk about money. That is my hope for the coming year. We need this very much. We have to end delusions about the efficiency of management because that is a tautology--what is not efficient cannot be called management at all. We have to know how much something costs, what pays. Of course the system of surcharges on products, subsidizing companies and various foreign currency accounts intensifies the confusion in our headss to the maximum. But in order for those on top to retreat from all this slowly and with style, we here at the bottom must talk quietly and soberly about money. This means not idolizing it, but knowing that holiness, goodness, truth, honor and beauty and up there, then there is nothign for quite a while and then there is money somewhere. Remembering all the while that talking about money is not something undignified, shameful or synonymous with greed and materialism. If a young philosopher abandons philosophy in order to earn money for home for his family by installing alarms in the homes of rich vegetable producers, owners of automobile shops and public figures, there is no point in tearing our garments because someone is deserting, throwing away his vocation. Praise to those who selflessly help people in a difficult situation. But that does not mean that those who render services for payment are tarnished. Praise to them too if they do not make a mess of it, if they meet deadlines, are sober, polite and have clean hands.

The Gospel parable about the buried talents applies not only to individual people but to entire societies as well. I hope that if we begin to talk quietly and seriously about money there will be less wasting of the people's time and talent, and food, energy and resources as well. Because we will never regain what we have reduced to ashes, trampled in the mud, or drank or talked away or overlooked.

I hope those who up to now were in no hurry to talk about money and those who would constantly talk about only about money will find a common language and not wait for an economic miracle.

Young people have a mania about emigration for profit. Of course the best, those tied to family tradition, those capable of sacrifice for their homeland, will not go. Those whose bureaucratic careers are going well will not go, the undereducated, the ill and the intimidated will not go. But if we want to keep those who are left, we must show them that it pays to stay.

It pays--such ugly words. And suddenly, so necesary.

Guarded Hope for Improvement

Katowice GOSC NIEDZIELNY in Polish No 6, 8 Feb 87 pp 1,3

[Article by Marek Strzala: "A Taste of Economic Hope"]

[Text] When it comes to our economy I am a pessimist, though not a catastrophist, despite the signs of economic catastrophe surrounding us. I do not suppose that our economic situation will be subject to significant improvement in the foreseeable future. On the contrary, one has to reckon seriusly with further decline, even if we are not threatened by some sudden collapse. Yet I do not see Poland's economic position as hopeless, despite the dark predictions of many professional economists. This means that I believe there are means to lead our country out of crisis and set our economy on the path to relatively rapid growth. But this would require radical alteration of nearly all mechanism currently in operations, departure from past customs and change in the entire thinking about economic matters. Yet that is precisely what we cannot afford. That is why I am a pessimist.

I do not want to minimize the gravity of the current situation. Jam and flour on store shelves are much better than their absence, but in no way do they betoken economic normalization (unless "normalization" is viewed as a process, not having much in common with normality). The essential dimensions of the crisis are commonly known, at least in their general outlines. Poland's debt of over $30 billion (in US dollars), along with our very modest share in world trade. Low industrial and agricultural productivity despite high employment and utilization of manpower to the limits of employee endurance: widespread employment of women, a 40-hour plus work week along with supra-standard employment, difficult working conditions. The low level of real wages, which makes for classical "thrift" strategies based on reducing residents' standard of living. Technological and organizational lags in industry and agriculture. So-called "depreciation of national assets," e.g., destruction, as a result of non-renovation, of all the equipment that permits us to live and work. And as a result of all this, a decrease in the attractiveness, heretofore not all that great, of Polish goods and service on world markets.

It is also necessary to remember about factors that are not totally economic but that are closely tied to the economy and to a great extent affect economic results, although they are not measurable in strict categories of cost and profit. It is gradually becoming clear to everyone that we are bearing the

worst consequences of industrialized civilization and sharing in it blessings only to a small degree. Ecological catastrophe--poisoning of the air, water and earth--is a fact. Fundamental, traditional social institutions like the family and local community have been undermined. The difficulties of everyday life are multiplying, upsetting it and making normal relaxation impossible. There are many reasons for the fact that, despite long years spent in studying, on a mass scale and compared to many other societies, we are ever more poorly prepared to carry out an occupation and live with the newest technology in general. Moods of discouragement and apathy and asocial attitudes have become more intense. Of course that is not all.

Should we not wonder then at those who wring their hands, admitting that the country is in an economic trap with no way out? Such a conclusion would be premature. Because experience--our and that of others--teaches two things simultaneously. First, it is never so bad that it could not be worse, but that is a truism. Secondly, it is never so bad, at least in economics, that a country's economic renaissance could not take place, subject to full utilization of resources and application of the correct strategy. We have examples of nations that, having been in much worse economic straits, have come out of them intact.

Recall the destitution of Germany and Japan after losing the war they themselves had unleashed: industry completely destroyed, the population decimated (especially young men in their productive years), military occupation, reparations to the victors, confiscation and removal abroad of the remnants of national assets, compulsory elimination of many economic organizations, liabilities for the care of orphans and displaced persons and the demoralization left behind by the previous regime. Yet this total ruin unexpectedly became the foundation for a true "economic miracle." Of course, all countries experienced a period of economic good fortune after World War II, but nowhere else was the growth as impressive, nor did it create the prosperity that persists to this day in Germany and Japan, even though no country (not even Poland) started from such a low level or had to overcome such difficulties (I am referring all the while exclusively to the economic situation).

Obviously, in the decisive moment, this did not occur without foreign help, mainly American. The peculiar Japanese and German mentality also had significance (although I would not overrate this). But the most important card, paradoxically, was the very destruction of the economy. Both countries, practically deprived of their previous material base of production (machines, buildings, equipment, forced to start from nothing, created their own infrastructure based on the newest techniques and most modern technologies. On the ruins of their previous economic structure they built a structure best suited (better than their competitors' anyway) to current needs. The devastation of traditional elites in amy cases paved the way for more competent people, unencumbered by obsolete intellectual customs. Finally, perhaps the most important factor--societies famished by years of postwar privation tied their newly awakened aspirations to economic success, finding a chance to convert their own initiative and energy into personal and national prosperity. Someone may see the merits of the Japanese and Germans themselves

in this, but to be fair, let us also remember that these conditions forced them to adopt this growth strategy and no other.

I am not saying that the Japanese phenomenon can be repeated, especially in the PRL. Certainly we are not Japanese (but did "national traits" really allow anticipation of the Japanese" economic miracle" before it became a fact?), we are not a nation of a hundred million people, we do not live on islands, we are not under the guardianship of the USA, etc. But too, no one has bombarded our cities recently and we have not lost a war. Besides, no one requires that Poland become a power on the scale of Japan; achieving a little more than the European average would satisfy us completely and considering the basic resources we possess, this seems to be completely within our reach. The Germans and Japanese are merely an example that the national economy can rebound from the worse quagmire.

In any case, there are less drastic examples of rapid economic development after a period of intense stagnation or even decline. Spain experienced something like this in the 1970s (and perhaps is experiencing it now after Franco's death, although with less intensity). China's new economic policy seems to be bringing very promising results.

Our present difficult economic situation does not result merely from individual faulty decisions, which had to be faulty anyway, considering the shape of Poland's economy. The entire structure of the economy has collapsed, built according to a design that was not the best, and on a weak foundation that was easily washed away by unfavorable world economic trends. The point is not only organizational issues, the nature of companies, the means of managing them, the role of "economic plans," the absence of market mechanism, etc., although it is hard to separate these areas. Note that all "raw material" economies, of which our is certainly one, have found themselves in serious trouble, at least in the past decade. Development of raw materials industry ona base of owned natural riches requires neither long-term financial expenditures, nor imagination, nor great economic knowledge, yet it rapidly brings relatively high profits. But such "easy money" is a trap because the value of nearly all natural raw materials has been subject to accelerated devaluation since World War II. Many factors come into play here and this trend will undoubtedly remain. Meanwhile, an conomy disposd toward the production and export of raw materials is not easy to move in a new direction.

The same is true for cheap and easily accessible labor. At first it is not necessary to compete with others in quality, productivity or the newness of the products, since one can offer foreign partners exceptionaly low prices. Later it is too late to change anything. The world is moving forward, standards and requirements are rising and no one wants a completely obsolete product, even dirt cheap. Yet catching up to modernity by leaps, without previous, constant steps in that direction, is very difficult and requires enormous effort, and it is easy to make bad decisions. True, Japan and later South Korea started from cheap trash, taking advantage of cheap labor costs at home, but they never intended to stop there.

I will not dwell on the inefficiency of our economic structures nor on the faults of the model called order economy, because these things are generally

known. Perhaps these shortcomings can be partly removed by reform based on improving mechanisms of management, simplifying the rules for managing companies, restoring sense to economic instruments, etc. If such reform produces results, it is not inconceivable that economic decline will be halted and perhaps it may be possible to achieve modest growth on the order of 1 or 2 percent (meaning real, not "statistical" growth). There will be a little more coal for sale in order to compensate for the drop in price. Vietnam will buy a few hundred Fiat 126p's with bigger trunks. Everything in the economy will be as it was, except working a trifle more efficiently. Will such reform lead us very far? Undoubtedly something more is needed in order to put our economy on a sound foundation on the threshold of the 21st Century.

Despite appearances, there is something to build on. We have known since Adam Smith that in fact the wealth of nations has it source in their work. Poland is rich in people who can and want to work. We can see every day that the average Pole is capable of great effort for even a modest but real, tangible improvement in his living conditions (although at the same time he will not go out of his way to improve any kind of abstract economic indicators). If this enormous potential is not wasted, it can become the basis for the true rebirth of our economy. A new (new in our situation but tested elsewhere) economic strategy is necessary.

In no country, even the largest, as such giants as the US, USSR and China have found, is it now possible to have economic growth without fully joining in the world division of labor, e.g., in broadly conceived international exchange and trade. Yet Poland's share in international exchange is very limited and numerous barriers isolate us from the world economy: the state monopoly on foreign trade, high tariffis, a lack of currency convertibility, detailed prohibitions and injunctions. It is hard to imagine a modern national economy without participation by foreign capital, which is also a form of the international division of labor. One can reflect on the operating rules of branches of foreign firms, the scale of state supervision of them and so on, but all economists stress the benefits stemming from the influx of foreign capital and recommend that governments give encouragement to foreigners to invest in them (including temporary exemption from all taxes). Another characteristic of the modern economy is its mixed nature--alongside state firms a fully entitled private sector exists.

Everything I have written above will seem like heresy to many people. Unfortunately, observation of contemporary economic processes leads to the conclusion that these are the conditions for economic growth. So it is necessary to choose: growth or outdated misconceptions, open-mindedness or backwardness. In economics fencing with frivolities, "socialistic," "capitalistic," does not have much meaning; what counts are the methods that permit achievement of rapid growth of national income.

In conclusion, I would like to console somewhat those whom a $30 billion debt robs of sleep. Most like the PRL cannot rely on multi-billion dollar loans to build new mines and foundries. Yet no doubt a few of those billions in low interest credits could be found somewhere in the world to finance sensible programs of far-reaching reforms that would have a realistic chance of healing our economy. It is enough to look around and ask. Since one can still find

those willing to part with smaller amounts, if only to avert out country's ultimate financial collapse, without counting on radical improvement even in the distant future, they would be more willing to risk even more substantial amounts if they have justified hopes of recovering the money once invested rather hastily. In any case, that $30 billion would stop having so much signifiance for us if only we could manage to improve our foreign trade to reach reasonable proportions at least. Any economics student knows that.

Language of Economic Discourse Analyzed

Krakow TYGODNIK POWSZECHNY in Polish No 9, 1 Mar 87 pp 1,7

[Article by Ernest Skalski: "Muddled Languages"]

[Text] 1. Depreciation of the infrastructure means disintegration of streets, houses, sewer and water lines, electrical and heating systems for schools, hospitals, means of transportation and so on. The first, professional term, although it is composed of difficult words, is short and permits quiet discussion; the second provokes emotions. So it does make a difference which term one uses. This "depreciation" used in a text deters from reading it not only those who do not understand the meaning of the words, but also those who are indisposed toward professional economic deliberations. "Disintegration" is more personal and attracts almost everyone.

Similarly, these terms cool emotions and weaken or perhaps constrict interest: "allocation of resources," "fixed assets," "investment front," "degradation," "imbalance," "pauperization." It appears that one can talk about everything--well, amost--without overlooking even the toughest problems, as long as this is done soberly, professionally and objectively. And in contrast to a previous period, no one has to be afraid anymore of accusations that he did not notice and did not warn. The deliberate choice of parallel terms offers such advantages.

2. One can also, maintaining one's right to individual appraisal of occurrences, use words that are generally used differently. For instance, one can add "crucial" or "historic" to the conferences of various groups, the decisions made there or realistic undertakings. So, for example, Zbigniew Madej, in this year's second issue of ZYCIE GOSPODARCZE, writes that in coming years the economy may not be (in the context of the entire article this is a substitute for "will not be") capable of dynamic growth and improving the well-being of the population, but possible as a goal is "creation of new opportunities for the most dynamic individuals to participate in historic (Skalski's emphasis), internal structural changes in our economy through intensifying its reformation and thereby discovering possibilities for growth in real income for workers by several percent annually."

This several percent annually, not for the "most dynamic" but for the majority of workers is a natural thing in a normal economy. By "historic"--if words are to mean anything--we understand something major, important, in scale as well as in quality. Unless the point is instilling in us the conviction that "if you say so" it must be historic, or handling one's own affairs with someone,

because this fails completely to take the feeling of the reading public into account.

3. "Give those who labor mastery, the fruits of their labors." In poetry a words like "master" is completely appropriate. The economy and law, on the other hand, use these words: "ownership," "utilization," "lease" and "management," each of which expresses a concrete condition, in contrast to "mastery." So if in that article Zbigniew Madej uses the words "transfer by the parent company of a firm's assets, which are state property, to the mastery of a given crew," he overlooks the essence of the undertaking. Imprecise, vague terms serve this end for the most part. The issue is broached, the speaker's intentions are readable, but the attempt at implementation does not come into play when the issue is raised this way, because it pointless.

4. Publicists, scholars, economic and political figures, e.g., the so-called decision-makers, including those at the highest level, are now talking about the economy in some provisional, conditional mood, up to now indescribable grammatically. Documents are also written in a similar language, including those that once used the imperative--who is to do what--and declarative mood--what will be done.

When it comes to long-term economic plans, besides the three-year plans, for the most part something different from what was written in the document was done. The awareness of this and the feeling of accountability for one's word have prompted a change in the method of speaking. Therefore one offers as a starting point the growing technology gap, the increasing civilizational lag, the contemporary challenge, from which it is evident that it is necessary to increase productivity substantially, improve organization, change the structure, decrease energy- and material-intensiveness, increase imports, increase exports, improve relations (all of them!), obtain credits, introduce incentives and limit waste. If we do not do this, then all the harm indicated as the starting point will intensify and catastrophe, fall from civilization, collapse and so on will occur.

This entire argument is absolutely correct and it exempts the speakers from charges that they did not speak the truth. Meanwhile, the decisive tone and concentration of these speeches and the authority of the speakers and decision-making groups may give the impression that since those who have a right to make decisions are talking this way, then this is tantamount to a decision, while the level of competence displayed signifies the reality and feasibility of the decision.

5. It is enough to admit tacitly that something that is to be done means that it will be done, overlooking the answer to the question of whether it will be done (how, with what, for what, by whom) in order to present an invigorating and mobilizing vision of the more distant future, in this case, the period after 1990. On the basis of already announced decisions, we know that up to that time production will not increase dynamically, the process of depreciation will not stop, restructurization will not occur, there will be no major credits, significant incentives will not be introduced (that several percent among the most dynamic individuals!?), the economy will not change its

method of operation (the second stage of reform is not be qualitatively different from the first). Through common sense then, one cannot see any real circumstances that would signify that prosperity will occur after this period--at least no one is informing us about them. So the assurances about progress in the 1990s, non-binding in any case, are not convincing anyone and are incapable of mobilizing anyone to anything.

6. In official and semi-official economic language, the adjective "realistic" is often used, especially as regards perceived difficulties and the very meager possibility of overcoming them. This realism is contrasted to groundless promises made in numerous past and no so past periods. The speakers expect praise for this and it seems they are surprised by the lack of it. But this lack does not come only from the fact that the realistic picture is not good.

If in the fifth decade after the war a country having not the worse material circumstances--soil, climate, natural resources, ties with the world, one of the highest rates of employment in the world, a fairly well educated society, a production potential built through great effort, a tolerable infrastructure, etc.--if this country finds itself in a state of lasting crisis without visible prospects for emerging from it, and this at a time when countries farther behind it in Europe and the Third World are making significant progress, there must be some real reasons for it. "Realism" that overlooks these reasons cannot be taken seriously or constitute bases for serious discussion.

7. The current state and the foreseeable future essentially stray from what was promised to society in the initial period of creating this system and several times after political changes were made. If in the first half of the 1950s someone had described what would be 30 years after the completion of the Six Year Plan, it would have been seen as "conspiracy" and treated appropriately. Not everyone can remember this personally anymore, but the collective memory has preserved these promises based on "objective, exclusively correct scientific premises." These promises, hopes and disappointments existing in the social consciousness are also part of reality and overlooking them will not add to the speakers' credibility. Banal references to "romantic socialism" (!?) will not take the place of a reckoning, nor will statements about "Gierek's voluntarism and Solidarity's anarchy."

8. The difference in terminology mentioned above (point 1 not only gives expression to various emotional states; it also raises doubts as to whether the parties are talking about the same thing or causes a lack of interest in the subject on the part of the majority. "Market stability" or striving for it, or the ever more frequently heard, somewhat poetic "good market"--all this pales after a while. Consumers would like to get an answer as to whether this means a market on which everything is always there to be bought, without searching, lines, rationing, favoritism and speculation. Such a market exists in most countries of the world, yet only the oldest people remember it in Poland.

The percentage indicators of the growth of real average wages are received similarly. About 60 percent of wages are below average--often significantly so--while the average wage is adequate as a social minimum for two people, according to the OPZZ's estimate (10 to 12 thousand zloty per month, which covers modest routine expenditures, without considering so-called basic household necessities and replacement). After 40 years of such calculations, the only interesting thing is the answer to the question of whether and when wages for normal, full-scale work will permit supporting a small family at a level acknowledge as appropriate in Europe at the turn of the Third Millenium.

Similar questions exist in regard to the housing situation, openings in nursery schools, the state of transportation, urban engineering and the operation of the education system, health care and so on. If in planning the economy no attempt is made to respond to this, then open discussion seems unlikely.

9. The difficulty of communication on economic matters also result from differing viewpoints and contrasting interests and a lack of understanding of opposing arguments. Yet this lack of understanding is not identical on both sides. The community of worker-consumers not only feels the burden of instability and inflation, but also perceives the whole of both these phenomena (related but not identical). It is enough to listen to the remarks made in most everyday conversations, in homes and public places. Yet the experts and decision-makers seem to see these phenomena only on a macro scale, as if forgetting that individual people react first of all to their own personal situation.

Even Professor Bobrowski once publicly expressed his amazement because his niece was scrambling for an ever greater amount of ever less valuable zloty yet her level of possession would not increase at all that way. One has to be extremely absorbed in economic theory and the country's affairs as a whole in order not to notice this simple truth--that when money loses value, one needs more and more of it to cover regular needs. The struggle for zloty that are less and less valuable is therefore a struggle to protect one's standard of living and to guard one's own work from depreciation: "I am working just as hard and have less to show for it." In any case, who knows if those who see the whole picture are themselves inclined not to accept awards, honoraria or salary increases.

10. Publicists, in turn, looking from a somewhat lower level and seeing the need for money, are suprised that the "people do not want to work" although they complain of poverty. They prefer to sit on their paltry pensions, their symbolic maternity benefits and do not take advantage of overtime or part-time openings for work. Yet on a household scale, in contrast to the Planning Commission, one has only one's own time, energy and money, which given the meager supply of these things and the very limited opportunity for maneuvering, force rationality and efficiency. With this chronic shortage of time, fatigue from ever more difficult living conditions--including the quest to obtain goods--and with the perceived neglect of home and family, only a truly desperate situation can force a person to sacrifice a few hours a day for a few thousand a month, even if it is very much needed. It cannot have occurred to doctors of economics that getting a good place at the right time

in the line for meat can be more profitable for a large family than earning a little money during that time. Those who cannot understand this are not discussion partners for those who experiences these necessities every day.

11. The scholars' further amazement (decision-makers are very careful here after numerous experiences) is aroused by public defense of the imbalance that is so burdensome for everyone. "Attempts to eliminate this situation encounter strong resistance by the public, which acts as if it wants just such an economic game. It doesn't want to agree to any kind of sacrifice in order to eliminate this perverse game," writes Prof Jozef Pajestka in this year's first issue of ZYCIE GOSPODARCZE. The professor also explains what the perversity of this game is based on. The state, in "giving more" money, along with an increased pool of goods and services, is giving essentially the same amount. Only those goods that are available anyway, of which one can buy only a part, will be bought and empty money will remain. But if a price increase sweeps up the money, the state will again be subject to pressure on wages (see point 9) and the game goes on.

This is a bad game, with a negative outcome, says the author, but somehow he does not want to understand that dropping out of this game is even worse. A point of view on a macro scale is in line with the interests of those who prefer to pay more but buy the articles they need with less loss of time, energy and nerves--no one believes in the "always and everywhere" formula anymore. But as regards the majority of goods, the majority of consumers cannot afford that luxury. In many cases, for the majority a price increase means decreasing consumpion or completely giving up certain goods, i.e., technological items. So with a relatively low price up to now, one could work "something" out, wait it out, paying with the next piece of his life, but it is rule that everything costs a poor man more. So for the majority of consumers, imbalance is a lesser evil than the price increases that reduce it. But it is promoted in the public interest, which somehow the public obstinately does not want to notice.

12. Prof Pajestka rightly places much of the blame for this perverse game on the state, which "gives more," being unable to resist those who "come out with claims to their share: various groups employed in manufacturing, science, administration, the military, security service, culture, education, health care, various areas of the economy and public objectives requiring investment, etc., etc."

This along tells us that not all these divisions receive to the same degree and those that do not necessarily supply the market with goods and services are not getting the least and who, by taking, aggravate inflation. Those who exert an influence on wages reimburse themselves for the costs of increases (often with interest) and constitute that minority interested to a greater extent in reducing the imbalance. This does not usually apply to the majority. It is this, driven by wage policy, that is the main mechanism for the growing division into a rather well-off minority and a majority that is growing poor with a zero or insignificantly increasing indicator of average real wages--inaccessible, I repeat, for about 60 percent of workers. Yet economic policy and the media operate almost exclusively on this indicator, while propaganda seems to see the mechanism for this stratification only in private enterprise,

which after all steers much greater value to the marketplace than it assures to the entrepreneurs themselves.

13. The interests and attitudes of most of the public presented in points 9--emphasis on wages, 10--aversion to additional work, and 11--resistance to price increases, are perceived as irrational, incoherent and illogical. But can those who believe this convince anyone that the economic system, not to mention the socio-economic system, is rational, coherent and logical?

Yet it is not so much a question or right or wrong as of the partners' different points of view. Those in authority and decision-makers and those who introduce them are drawing appropriate conclusions that serve the implementation of the current fundamental goal--stablization of the economy on an attainable scale. But equally rational is the position of the majority of worker-consumers protecting their fundamental interests.

If I were not trying to be objective I would say that realization of the interests of that second, massive group would be closer to something one could call rationalism for the entire economy and would afford better hopes for improvement than the assumptions of the other side, which is offering no hope for now. But setting aside my opinion, I should say that behind differences of a semantic nature or generally in ways of speaking, there is a difference of interests.

14. All the authors stress that the economic policy establish can achieve results--meager ones--only if it wins public support. [----] [Law of 31 July 1981, on the control of publications and performances, art 2, par 6 (DZIENNIK USTAW No 20, item 99, amended 1983 DZIENNIK USTAW No 44, item 204)]

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MINISTRY OFFICIAL ON PRICE INCREASES, SUBSIDIES FOR FOOD

Warsaw ZYCIE WARSZAWY in Polish 23 Mar 87 p 2

[Interview with Franciszek Stepniak, director of the Department of Market Costs and Prices, Ministry of Finance, by Andrzej Zmuda: "Harmonize Economic Principles With the Interests of Society"]

[Text] [Question]: You head the market costs and prices department at the Ministry of Finance. The last increase, a rather hefty on the price of rice, as you can imagine, was not received very favorably by the customers.

[Answer]: This is the simple result of the transfer of rice from the list of goods with official prices, that is, artificially set ones, to the category of conventional prices. Rise is imported and not too cheap on world markets. Given the rise in the dollar's exchange rate, so)called transaction prices have increased. Let me also add that rice is calculated in Swiss francs, against which the dollar loses value. Therefore transaction prices also show a greater increase. After all, rice will still enjoy a subsidy, just a much smaller one. This was the reason for the need to increase the retail price of rice. After all, in terms of imported goods, first of all they will come off the list of official prices (usually goods with such prices enjoy a government budget subsidy). This is called for by the market rules of play, rules which consider purchase costs, especially those using foreign exchange, or production costs.

[Question]: But let us get away from imports. After all, nearly all food products are derived from our own raw materials. Recently there has been a lot of talk about the difficulty of subsidizing this group of goods, which distorts cost accounting. More than one customer who is economically aware is feeling somewhat silly, because he is still being bolstered by these subsidies. For this reasons voices are saying that these subsidies should come to an end, that finally they should be eliminated, and let it go at that!

Is it true that the budget provides nearly two zloty for every zloty we pay for milk?

[Answer]: It is true. To be exact, 1.90 zloty. Thus, each bottle of milk with 2 percent butterfat should actually cost nearly 35 zloty. For each zloty in the price of flour, the budget contributes a subsidy of 1.20 zloty,

and for each zloty meal, spaghetti, or butter costs, there is a subsidy of from .54 to .76 zloty.

And if we talk about conclusions about doing away with subsidies altogether, let us say that this is done, but who then is going to bear the costs of this operation?

Just imagine that annual foodstuff deliveries have a value of 1.9 trillion zloty. This includes goods of fundamental significance to the cost of living (those protected by artificial official prices) amounting to 1.15 billion zlotys. Of this group, only sugar is profitable. It has a value of about 120 billion zloty in terms of annual deliveries to the market.

The amount of the subsidy reaches 400 billion zloty per year. Just imagine now applying this to the figures given. This is a high percentage. If we were to do away with subsidies altogether, as economic wisdom would suggest, it would be first of all the customer who would pay for it, because food expenditures would have to increase by the same amount. But our society, after all, cannot agree to this. The trade unions oppose changes of this type. The government does not have any intention of permitting food prices to increase on such a scale either. This year's projections are that official prices for foodstuffs will increase on average by 13 percent. On average means that the price of one product will increase more than the average and another less. This will depend on the extent of market equilibrium in a given commodity group. Let me repeat that this applies to foods with official prices, and they represent nearly half of the food deliveries.

To this still must be added the fact that the annual subsidies on the order of 400 billion zloty mentioned above are not the only form of relief for the food and agriculture industry. The industry itself also "consumes" the subsidies that agriculture receives indirectly, through state budget contribu,tions to cover the production costs of coal, fodder, chemical fertilizers, and plant protection agents. A total of 160 billion zloty per year is spent on subsidies in these branches of industry. Altogether, therefore, food subsidies well exceed a half trillion zloty per year.

Let us pass on to annual food deliveries, for 1.9 trillion zloty, and we see that the amount is tremendous.

[Question]: So a total elimination of subsidies for agriculture and the food industry all at once is not on the agenda then?

[Answer]: Of course, this would be socially incorrect and, for the moment, economically difficult, because in the event of such a tremendous step, there would have to be changes throughout the entire economy, especially in the realm of production costs, subsidies and prices, and wages. After all, insofar as agriculture is concerned, subsidies in this branch of the economy is not a discovery of the socialist economy. Many capitalist countries do this, includ,ing those far richer than we are, such as the United States, France, and the FRG.

I think that our planned policy of gradually reducing subsidies, a policy which links economic principles with the interests of society, can be accepted with understanding on the part of consumers, because subsidies have the feature of somehow setting in concrete the method of running things in a given enterprise, because why, for example, should a milk company or meat plant make efforts (which are difficult and uncertain) at fundamentally improving the effectiveness of their management, when a subsidy evens out everything? And if the financial results improve, the subsidy will be reduced, so why bother?

This also has an influence on the management of a given product in commerce or by the user. The price of milk, in fact, will be the most protected, but let us look at this example. At present, every wasted liter of milk in the shops (sour, frozen) is a loss of "only" 12 zloty in the store, but it is actually a loss nearly three times as great! After all, nobody knows or remembers about some remote budget subsidy that is understandable only to the economists. It would therefore be healthier to get along without subsidies, but I think that in the case of food, they are still going to exist for along time, although the scope and extent will change.

Let us take another example. Bread had a subsidy on it, but do we have to keep subsidizing flour forever, both for bakeries and for the individual consumer? This year has seen products other than rice, certain meat products, sour cream, meal, and spaghetti drop out.

These items and one type of tea, Assam to be exact, have gone over to conventional pricing. In addition, meal and spaghetti this year have regulated prices (based on a cost formula), but they are still subsidized. The litany will not be too long. I will mention that official prices are used for such commodity groups as all aged cheeses, cottage cheese, and processed cheese. The list also includes butter, milk, beef, veal, port, and meat products, animal and vegetable fats and oils, rationed chicken, flour, bread (but not rolls or sweet rolls), oat meal, sugar (although it makes a profit), and two types of tea.

[Question]: We consumers are nonetheless afraid that, although you have set us at ease over the scale of departure from subsidies and shown us that the movement in official prices will not be great, producers can still "play with" the conventional prices, that is, with goods not covered by official prices. What can be done to prevent excessive arbitrariness?

[Answer]: I think that a very great deal depends on trade, which must not accept every price proposal without examining it critically. The negotiation of conventional prices is still more theoretical than practical. For example, things could have not come to the point of the famous "sour cream caper," if trade people had reacted in time and producers had played according to the set rules. This does not mean that it is possible for conventional prices to be the same throughout the country on a given product. For example, sour cream and black pudding costs vary from one part of the country to another. The situation is similar on the green market, and in the case of village market places, nobody is surprised or upset over meat price differences.

In the system of conventional prices, to which we are after all going to be more and more inclined, the thing is to adopt market equilibrium rules of supply and demand. Both the producers and trade people must be flexible, especially in terms of the market, and not be afraid of risk.

[Question]: Well, then, why are we still so rarely finding examples of "the price of the day," price reductions which trade points introduce at the end of the day for perishable goods, like milk, cream, cakes, vegetables, and so on? The risk has to be born by both the producer and trade.

[Answer]: True, the food market, except for meat, varies somewhat, and it is for this very reason that we have conventional prices. In the exact sense of the name, they have the greatest chance here. We have real equilibrium prices on the vegetable, fruit, and flower markets, and we usually do not see prices getting too high here, with perhaps a few exceptions. If only there was such a situation on the whole food market!

[Question]: Thank you for these explanations.

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PROBLEMS IN COOPERATION WITH USSR DISCUSSED

Warsaw RZECZPOSPOLITA in Polish 25 Mar 87 pp 1, 2

[Article: "Demanding Partner : Problems of Polish-Soviet Cooperation"]

[Text] (From our own sources) On 24 March a meeting was held between Council of Ministers Deputy Chairman Wladyslaw Gwiazda and leaders of Polish-USSR economic cooperation clubs.

At present there are 31 Polish-USSR economic cooperation clubs in operation. Last year, as Jerzy Szopa, vice)chair of the Polish Chamber of Foreign Trade (PIHZ) reported, five new clubs started up in Zielona Gora, Kielce, Radom, Krosno, and Biala Podlaska. PIHZ and the main board of the Society of Polish-Soviet Friendship (TPPR) are the sponsors, but they are created at the initiative of directors of cooperating enterprises or those enterprises interested in cooperating with the Soviet Union. There are about 800 enterprises with such clubs, and these enterprises account for 70 percent of our total exports to the Soviet market.

The basic goals which the clubs set for themselves are activating coopera,tion between regions of Poland and the USSR, maintaining support for direct cooperation between Polish and Soviet firms, and providing information on changes occurring in the Soviet Union as presented by employees of the Soviet embassy invited to meetings. The clubs also sponsor various sorts of presentations, such as exhibitions (last year at the club in Walbrzych) or competitions for best exporter to the USSR (clubs in Lodz and Katowice), and seminars and addresses.

As Andrzej Kajka, chairman of the committee on cooperation with the USSR put it, the clubs' goal to activate cooperation at the lowest regional level and to develop cooperation directly between the enterprises and joint enterprises. It is the clubs that want to help carry out intergovernmental cooperation agreements.

The chairman of the cooperation clubs have pointed up the major problems that firms cooperating the with the USSR are encountering. The difficult situation with the supply of raw materials and other materials also reflect on the growth rate of exports to the Soviet Union. Solutions are needed to provide efficiency in the transport of goods across borders. The Hutnicza

Siarkowa (Sulfur Mill) Line needs to be expanded. The search for new export special-ties is another issue, but for this we need further analysis of the Soviet market. But, as has been emphasized, the USSR is a demanding partner. Price negotiations are difficult, but requirements as to the quality and modernity of exports are also increasing.

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REFORM COMMISSION SECRETARIAT DISCUSSES 'SECOND STAGE'

Warsaw ZYCIE GOSPODARCZE in Polish No 9, 1 Mar 87 p 2

[Article by Marek Misiak: "What Should the Second Stage Be Like?"]

[Text] After the political decision to move quickly to the second stage of the economic reform was made, we have been waiting with impatience and anticipation for the comments on the content of that stage by the Economic Reform Commission, the most competent institution that can comment on it. The commission's secretariat held its first meeting a couple of weeks ago and its second meeting at the end of February, which were devoted to preparing a document for the plenary session. At the second meeting the initial proposed document was discussed not only by the secretariat which includes the chairmen of the commission groups but by other members of the commission including Jan Mujzel, Jozef Pajestko, Wincent Lewandowski, Kazimierz Rycie, and deputies Mieczyslaw Fracki, Zbigniew Gessler, Jan Kiszko, Aleksandr Legatowicz, Jan Mieloch, Zbigniew Zielinski. The chief directors of selected enterprises and deputy ministers and representatives of the National Bank of Poland also participated.

The discussion touched on many problems. What is the second stage of the economic reform? What is its relationship to the first stage and the "Direction of Reform" adopted five years ago? There are no doubts we must radically accelerate the transformation of the operations of the economy in comparison with the process during 1983-87, but how is this actually to be done?

The initial proposed document and discussion indicate that many of these questions require further discussion.

The discussion concentrated on a search for ways to exploit more fully the financial and market instruments to force increased productivity by the enterprises. This was one of the initial documents main theses. It outlined the prerequisites for greater departures than previously from cost prices in favor of market stabilizing prices, limiting subsidies, decisive anti-monopoly actions, promoting productivity through wage differentials, and more use of the provisions of the law on economic improvement of enterprises and their collapse.

We will still be struggling with many of these problems in the 1990's. Among them are improvement of the state finance system. The scholars are calling for a fundamental reform of the tax system. Replacing most of the current taxes with a single tax on value added is to be considered.

An important element of the future reform of the institutional and organizational structures is improvement of the banking system by creating new banking institution with much broader and more varied functions and tasks.

There was also criticism of the present course of the economic reform. The enterprise directors leveled some harsh words at many of the present economic measures indicating that they are faulty and inhibit productivity.

The need to raise the status of the management personnel was emphasized. Much attention was devoted to developing the worker self-management system. The participants also expressed a need to include preferences to develop small craft industries, worker cooperatives, and the private sector.

It was not easy for Minister Franciszek Kubiczek to summarize the discussion. The proper modelling of the management instruments (with the appropriate changes in the organizational structures) is not a simple task. The instability of many markets, especially of supply materials, does not help. But without the introduction of effective instruments to promote productivity, it will be hard to count of sustained economic stability and development.

The conclusions of the discussion are to be used in the next few days in editing the document which in March 1987 should be discussed at the plenary session of the Economic Reform Commission.

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PLANNER DESCRIBES FOREIGN TRADE IN 'SECOND STAGE' OF REFORM

Warsaw ZYCIE GOSPODARCZE in Polish No 9, 1 Mar 87 p 11

[Article by Stanislaw Dlugosz: "Foreign Economic Cooperation"]

[Text] To describe foreign economic cooperation during the second stage of the economic reform, one must attempt to sketch out the prospects and evaluate the factors affecting international economic cooperation in the coming years. In our case, when we must assume an active export orientation toward all of the world's basic markets or, in our terminology, payments areas, and one must do this from the point of view of a producer-exporter.

Difficult External Conditions

We should count on the following factors in the rapidly approaching future:

I. A constant increase in the quality demands on all foreign markets. Quality is understood here in a very broad sense. It includes not only technical quality in the sense of a technically up-to-date production process, which includes minimizing consumption of raw materials, materials, and energy but also the maximum usefulness and effectiveness of the product in operation. Export products must compete with their outstanding quality parameters and only then in terms of price.

Prompt, competent service is a condicio sine qua non of any significant market presence. This will be a consequence of the intense technical advancement that is currently "going around."

But speaking of the present quality of exports or more broadly of foreign economic cooperation, we must also examine this concept from the point of view of the productivity of the exporter enterprises. Active marketing, a long-term development program for the enterprise and the product, a long-term contracts for cooperation, specialization, supply, and sales, and finally cooperation in organization, capital, research investments, and a common sales network are characteristic of quality, efficient, modern methods of operations. We must be prepared for large scientific and technical efforts like the Western European "Eureka plan" in the West, license flows stimulated by transnational economic organizations, between individual Western states, or the anticipated effects in this area of the ominous plan to militarize space,

ironically named the Strategic Defense Initiative. In the West scientific and technical advancement is happening and will happen.

II. In the non-socialized world economy, we should prepare for a great degree of market uncertainty. Market uncertainty in association with protectionism will exert a direct negative influence on the overall conditions of world economic cooperation. These fears have been expressed by the authors of the OECD economic report published at the end of 1986.

Conflicts in economic cooperation among the developed capitalist states are growing, although one can assume that the United States' dominant position in the West will force concessions on its junior partners in the EEC or Japan. In North-South economic cooperation there will be increasing difficulties and conflicts, and only temporary compromises, in the face of the insoluble problems of the international debt which, given current methods, is smothering the socio-economic development of these countries. The statements in a document prepared by the UN Economic Commission for Latin America that market forces have not solved the debt problem are characteristic. (1) "Thus in each case (i.e. for the debtor countries--S.D.), it is desireable to establish the maximum limit of transfers of resources abroad."

III. East-West economic cooperation is subject to changes in the political climate, especially between the USSR and the United States, as all post-WWII history indicates. The West will always want use economic cooperation with the states of our camp "to attempt to delay the development of the socialist community." (2) Regardless of the unfavorable political factors which can interrupt the economic ties established over time, the asymmetry in the trade structure, in settling payments, and in the mechanisms of international economic cooperation will inhibit international economic cooperation between states with different socio-economic orders.

I place great emphasis on the existing and potential obstacles in the development of economic cooperation with non-socialist states in order to draw the exporter's attention to the necessity for great effort and foresight in setting up and expanding his relations with this area. It was precisely there that the notion of strategic dependence in economic cooperation was developed. Since, in general, we must assume difficult operating conditions for our enterprises in the markets of the non-socialist states, the need to reestablish and nurse our international contacts at the highest possible levels is all the greater, since only they can effectively lead to normalization of the general conditions of cooperation.

IV. The exporter's cooperation with the socialist markets, especially the USSR (our largest partner), must occupy a special place in the forecast. In the CEMA member countries and in the community as a whole, intense work on reforming and improving the management of the domestic markets and the instruments to energize bilateral and multilateral cooperation under socialist economic integration is underway. In general we should assume, given the five-year plans adopted in the CEMA member countries for 1986-90, the assumptions in the projections to the year 2000, and the agreements on the implementation of the "Comprehensive Program for Scientific and Technical Advancement" adopted at the 41st session of the CEMA, that a clear development

trend will prevail in the economies of the members of the socialist community during the coming years, although the indexes of development will vary from country to country and over time.

The CEMA member countries' development of bilateral and multilateral economic integration is one of the most effective ways of defending and promoting the national interests of the member countries, especially those subject to particularly unfriendly actions by the developed capitalist states. The socialist countries must also protect themselves against the uncertainties of operations on capitalist markets.

In this situation ensuring themselves lasting (in terms of long-term cooperation) opportunities for profitable sales and stable terms of purchase takes on particular importance for producer-exporters. It is no less important to organize significant cooperation and specialization undertakings. Again Polish experience, both earlier and at the beginning of the 1980's, indicates that genuinely durable economic relations can be maintained above all with partners from socialist countries. In particular, this rule applies to cooperation with our largest export and import market, the USSR.

V. Integration in the world economy will expand. Almost from the end of WWII one can observe the development of regional integration both in the developed capitalist world, in the developing countries, and in the socialist community. It is an objective process, although the integration mechanisms and goals vary. The integration mechanisms vary significantly over time. It is impossible not to notice the slowly progressing integration of the EEC, although it is progressing more slowly than the fathers of the Treaty of Rome assumed. Also in the Third World integration groups have come into being and developed.

In the 1980's two factors are strengthening their position as integrating mechanisms in the world's capitalist economies:

a) a clearer strengthening of the political and economic leadership role by the United States in the West than previously;

b) the necessity to bear collectively the financial and material costs of accelerating scientific and technical advancement, costs which exceed the capabilities of a single medium-sized capitalist state.

Despite the growing temporary or permanent crisis symptoms like inflation, unemployment, international insolvency, neoprotectionism, etc., in the capitalist economy, we assume that the economic integration mechanisms will be sufficiently effective. These mechanisms will increase the scale of operations, accelerate scientific and technical advancement, and mercilessly exploit the resources of the developing countries obedient to the developed capitalist countries. Everything indicates that the coming years will be quite difficult for the producer-exporters. Thus they will have to multiply the daily efforts of their operations.

Our Goals

Against this background of future developments we will now outline the goals to whose achievement foreign economic cooperation should contribute. They are:

a) ensuring the national economy access to scientific, technical, and technological advancement either by importing machinery and services or by appropriately structured capital cooperation and also by forcing innovation by effectively developing exports, especially of extensively processed products;

b) supplying the economy with goods and services available in the national economy in insufficient quantities, or when the exchange provides desired financial, assortment, or other benefits;

c) gathering the financial resources for servicing the external debt on realistic conditions that do not reduce the national economy's ability to grow.

In journalistic writings one encounters attempts to order these three goals. It seems that giving preference to one of them is inappropriate, for they are mutually interdependent.

The argument so far unequivocally shows that there is one basic conclusion determining further analysis of the second stage of the economic reform not only in relation to abstract international economic cooperation but also for the entire national economy. Conscious, general participation in international economic cooperation is the only way to maintain the growth of the Polish economy, to adapt actively to the coming changes in international economic cooperation, and to benefit from participation in international economic cooperation.

The international socialist division of labor is its most important and peculiar part. In our current economic reality, conscious participation in international economic cooperation means not only creating and improving mechanism for optimizing this participation but also inclining and perhaps even forcing producers to participation through exports. This necessity results from concrete facts. According to research conducted by the Planning Commission at the Council of Ministers in 1985 of the 5,300 industrial enterprises (operating in their own name) only 2,499 participated in exports. In exports to the first payments area 61 producers exported 50 percent of the total value of exports, and only 42 producers accounted for 50 percent of exports to the second payments area. This excessive concentration of exports is decidedly a negative. It also shows how great the simple export reserves are. Besides stubborn actions to increase the efficiency of foreign trade (which did not receive much attention in 1983-85 for obvious reasons), the main task of the second stage of the reform should be to introduce the maximum number of Polish producers onto export markets.

This process should stimulate and take into account restructuring. The absolute necessity to restructure Polish industry, as a means of adapting products to export markets, derives not only from problems with quality and keeping our processed products up-to-date, but also from the general structure of our exports. The structure of the exports to the socialist states is healthy; electro-machine industry products constitute more than 60 percent of

the total exports. On the other hand, in exports to the capitalist states this percentage is barely 20 to 21.5 percent of the volume of exports. But this is the chief growth area for exports because of the limited growth potential of exports of raw materials, fuels, and agricultural products.

Instruments of Stimulation

Can we unequivocally evaluate the effectiveness of the instruments for controlling foreign trade introduced in 1982-86 on the basis of the volume of foreign trade in 1979-86?

It seems not, as four indicators show. If the quantity of exports to the second payments for 1979 are taken as 100 then in 1985 they were 101.8 and in 1986 102.7, while imports from this area were 63.1 and 64.3 respectively. This comparison, which should be evaluated in light of the overall results of the three-year plan for 1983-85 and the results for 1986 (the first of the National Socio-Economic Plant for 1986-90), gives evidence of a tremendous effort by the Polish economy. This thesis is confirmed by the balance of trade with the second payments area for these five-year periods (in billion $): 1971-75, -6,600; 1976-80, -9,953; 1981-85, +5,500; 1986-90 (plan), ca. +6,000-7,000.

In value, however, our economy's exports to partners of the second payments area are limping along around $6 billion annually, although we can note a clear acceleration of exports in 1986, when we exceed the $6.5 billion level.

The absence of any clear effectiveness of the instruments for stimulating exports has three basic causes:

a) As a result of the crisis which struck the economy and society at the beginning of the 1980's, Polish producers began to operate under a domestic sellers market that provided weak motivation, while the foreign export markets became increasingly buyers markets. This not only eliminated the producers' export orientation, as the above figures indicating the negative concentration of industrial export production show, but it weakened their interest in enterprise development as research by the Supreme Chamber of Control cited by T. Hupalowski at the Third Plenum of the PZPR Central Committee indicates: "Other studies give evidence of the enterprises' slight interest in modernizing their products and production processes. Audits of the use of funds for technical and economic advancement at the enterprises' disposal showed that in 1982-85 only one-third of these funds were used. More than 72 billion zloty remained. In more than half of the audited units cases of improper expenditure of funds were found." (3)

b) During 1982-85 the varied developments in the national economy forced the making of proper, emergency decisions, but they were emergency decisions. Their chief purpose was to ensure increased production after the declines of 1979-81. This increased the number of special-interest stimulants, acting in various ways on the producers, but in general they did not promote exports.

c) Finally, the instruments for stimulating exports were introduced so slowly because of fears of negative effects on the domestic market (for example, in

establishing an exchange rate policy). It is worth recalling that in 1982 both the Planning Commission at the Council of Ministers and the Eighth Group of the Economic Reform Commission proposed changes in price policy and in exchange rate policy, flexible use of retained convertible currency earnings accounts, and the use of special export credit mechanisms, etc. The majority of these proposals were introduced in 1986 or even after 1 January 1987.

The Enterprise's Role

An essential characteristic of the second stage of the economic reform, both for the entire economy and of the specific problems of economic cooperation will be strengthening the enterprises' position, broadly conceived, as the main link in economic activity. Our conceptions of the independent self-financing enterprise have taken root as the basic direction of movement in the socialist countries. One can risk the statement that J. Kornai's ground-breaking book of a few years ago "A Deficit in the Economy" bears in places the marks of old age, showing how fast views evolve.

The enterprise, as the chief economic agent is becoming stronger, as the Sejm's adoption on 23 April 1986 of the law on partnerships with foreign participation or the signing on 15 October 1986 of the "Agreement between the Governments of Poland and the USSR on the Basic Principles for the Creation and Operations of Enterprises and Common Organizations" show. An analogous trend has appeared in the Soviet Union. It suffices to peruse the "Resolution on the Principles for the Creation on the Territory of the USSR and Operations of Common Enterprises, International Combines and Organizations of the USSR and other CEMA Member Countries" adopted by the USSR Council of Ministers on 13 January 1987.

The enterprise is a living organism that adapts to its changing organizational, social, and economic environment, which develops in its struggle with its environment and not in a greenhouse. But as a living organism, the socialist enterprise, especially as its gets larger (particularly as regards the number of its employees), is not a monolith, as it might have seemed. An enterprise consists of at least four different members that have some common interests, perhaps even overriding ones, but which also have their peculiarities. These constituent members are: the enterprise as an institution, an organism which in normal conditions should show a development trend; the employees; management (directorate); middle-level supervision, which supervises the enterprise's current operations.

This subdivision into four constituent members does not mean that we should create external systems for influencing each of them. On the contrary. Stimulants applied to the enterprise should affect all four members in a coherent way.

Until 1986 stimulation was not always consistent with the export operations of the enterprises. One can imagine the dissatisfaction of the employees caused by the high export premiums for management. The convertible currency retained earnings mechanism was directed toward the enterprise as a whole and the employees as a group received no direct benefits from export efforts. Or the fact that in 1986 additional amounts from income tax exemptions could only be

used as development funds although previously they could have been used for employee funds.

The main problem for the second stage of the economic reform in the context of the economy as a whole and foreign economic cooperation is accelerating the improvement of the domestic price system, activating the exchange rates for convertible currencies, and setting parameters for account settlements. Particularly the price system must be improved within the entire economy and not just between the domestic economy and foreign trade. In relation to the above mentioned triad, what needs to be done is clear. It is only a question of doing it with sufficient thoroughness. This same can be said of "hard zloty financing" of the enterprises.

The principle of "stubbornly demanding efficiency" has entered the daily vocabulary of journalists and meetings. It must, despite subjective difficulties, reach the enterprises' daily operations and inundate all four of its constituent members. The consequences of this principle--positive and negative--must become tangible, perhaps to unequal degrees, in each of the constituent members.

I support the view that "hard efficiency" is easiest to introduce objectively and to explain subjectively in foreign trade. Obviously in foreign cooperation, we deal with factors that are partially if not completely independent of us. If this is so then one can imagine a simple situation in which only those who are exporters and are able to obtain convertible currency through their own efforts and not only for themselves but in a prescribed proportion for the state's balance of payments will have access to convertible currency (in both payments areas).

In most contemporary states the exporter must sell the convertible currency earned. Unfortunately, the formula "he who does not export cannot exist" cannot be used in practice. There must be exceptions to this rule because of the need to finance centrally imports regardless of the "export merits" of the beneficiary of the imports in the case of imports for health services, for cultural and scientific needs, of goods for children and young people, and of fuels and basic raw materials for the national economy that must be procured for the strategic interests of society and the economy but which should be limited to such goods as crude oil, iron, wheat and feeds, etc. We should systematically reduce the range of centrally financed imports each year until they are limited to only those truly most important items. The example of Skorimpex's self-financing, despite the problems encountered in its implementation, seems to point in the right direction. Reducing the range of centrally financed imports cannot mean the decentralization of purchases.

Moreover, for pragmatic reasons we must assume there will be convertible currency reserves controlled, for example, by the minister of finance that are earmarked, for example, for promoting exports or financing imports of spare parts for essential imported equipment in plants that cannot be exporters (for example, bakeries or laundries, although export of services might be possible here). All other convertible currency import expenditures in both payments areas should be financed exclusively from the following (owned) sources:

a) Convertible currency gathered in the enterprise's own accounts. The change adopted on 1 January 1987 for retained earnings accounts, including the introduction of ownership accounts proposed years ago, are a step in the right direction;

b) convertible currency received (purchased) from other holders' of convertible currency accounts;

c) convertible currency obtained in various credit operations, foreign and domestic;

d) capital contributions from foreign partners;

e) sums obtained from convertible currency auctions.

A systematic and genuine observance of the principle of "hard import financing" could contribute to a greater number of enterprises becoming more actively export oriented than presently.

Increasing the number of producer-exporters should also lead to concessions to conduct foreign trade for the maximum number of producers under the following three conditions:

a) having the professional trained personnel;

b) observing the quotas established in international trade agreements in trade with socialist countries;

c) pursuing a policy of purchase and sales prices that does not cause unnecessary competition with other Polish importers or exporters.

Permitting or rather inducing the maximum number of producers to export will force the specialized foreign trade enterprises to take every export offer made by producers seriously and to inform producer-exporters of export operations and their financial opportunities. It would also be worthwhile allowing effective holders of export concessions to broaden their export services to other ranges of goods ignoring the outdated principle of so-called branch specialization.

Summary

I am of the opinion that foreign economic cooperation in the second stage of the economic reform we should:

a) stabilize and improve the management mechanisms and instruments to maximize export efficiency and to produce the broadest participation in exports by producers;

b) work actively with other members of the socialist community to gradually introduce economic mechanisms to stimulate cooperation (partial convertibility of national currencies, mutually and with the transfer ruble, objective

exchange rates for these currencies, objective price setting within the CEMA, liberalized conditions for cooperation by mixed enterprises, etc.);

c) employ "hard import financing" to induce the maximum number of producers to enter export markets;

d) increase the coherence of stimulation on enterprises understood as a whole composed of four constituent members;

e) systematically develop pressure for quality broadly conceived, for example, by introducing, as was done recently in the USSR, the obligation to reduce significantly the price of industrial products whose quality has not changed for years;

f) to promote the goals and benefits of entering into organization and capital agreements with partners from both payments areas among enterprises.

And finally one more essential observation. The principle of "hard import financing" may initially displease those used to various methods of obtaining convertible currency without productive efforts. Its systematic use should expose those weak enterprises incapable of taking up the challenge of staying up-to-date with the world. I am convinced that even for the price of temporary difficulties with such enterprises it is worth implementing the principle of "hard import financing."

1. FINANCIAL TIMES 23 January 1987

2. S. Dlugosz, W. Szczepaniec, "Poland's Trade Relations with the Developed Capitalist Countries," Warsaw: PWE, 1974.

3. RZECZPOSPOLITA 6 January 1987.

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PRIVATE SECTOR ASSESSED ON MOTIVATIONS

Warsaw TRYBUNA LUDU in Polish 5 Feb 87 p 4

[Article by (p): "The State of Mind of the Private Sector"]

[Text] The Public Opinion Research Center [CBOS] has provided us with an interesting new study of the "Ideas of Representatives of the Private Sector About the Permanence of Their Position in the Socialist Economy." There has been much speculation about this subject; today we can learn from that analysis what "private initiative" thinks and how it reasons. It will certainly be the subject of many press publications, in accordance with the orientation of various newspapers and magazines.

We would therefore like to call attention to only one aspect, which may interest the organizers of production life in the socialized sector. Those responding to the survey, explaining their motives for undertaking activity in the private sector, call attention to the following factors: independence, freedom of action (75.2 percent), ensuring a future for oneself and one's family, improving one's standard of living (50.1 percent), personal satisfaction, a feeling of one's own worth (39.2 percent), high earnings (25.6 percent), the respect of one's associates (11.0 percent), and a calm, secure life (10.9 percent).

These same respondents, evaluating what guided other representatives of "private initiative," cite these motives in a somewhat different order: high earnings, profit, better earnings (57.0 percent), independence, the freedom to control one's own time (27.3 percent), independence in organizing one's own work (25.9 percent), the desire to prove oneself, and job satisfaction (15.1 percent).

Certainly it is not possible to fulfill all of these desires and motives for action under the conditions of a socialized work institution, in view of its size, the organization of work, and also other determining factors. It is worth considering, however, whether some of these aspirations should not be more fully taken into account precisely in a socialist enterprise, which is where a majority of the population works, after all, and not a minority. Perhaps then we would have better performance and greater satisfaction.

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SHIPPING LINES MODERNIZATION PLANS FOR 1987

Warsaw RZECZPOSPOLITA in Polish 6 Feb 87 p 3

[Article by [p-k]: "PZM Modernizes the Fleet—6 Tramps in 1987"]

[Text] This year, like the last two, promises further progress in modernizing the fleet of the Polish Steamship Company [PZM]. This firm, which is well known in the shipping market, will put 6 modern ships into operation, with a total capacity of over 200,000 tons. This will be a little less than last year, when 5 bulk cargo ships with a tonnage of 220,000 DWT arrived at the Szczecin shipping line.

Today the PZM fleet includes 126 units with a total capacity of nearly 3.1 million tons, which puts the shipping line among the largest firms in the world that deal with tramp—irregular—shipping.

The A. Warski Shipyard in Szczecin is taking an increasingly greater part in the development of PZM. During the last two years, 7 modern tramps (including the "Powstaniec Styczniowy" ["January Rebel"] and the "Batalion Czwartakow" ["4th Infantry Battalion"]), with a capacity of 33,000 tons each, have been built on its slipways. This year, the Warski shipyard will turn three more vessels of this type over to the shipping line. Two of them, the motor vessel "Armia Ludowa" ["People's Army"] and the motor vessel "Wladyslaw Gomulka," are in the outfitting stage. Due to an economical main engine produced by the Cegielski works, these vessels are characterized by lower fuel consumption than similar units built previously.

Two large bulk cargo ships (38,500 tons each) will arrive at Szczecin from Bulgaria. In contrast to the five previous Bulgarian units that are already sailing in the PZM fleet, the new tramps will be modernized and equipped with deck cranes.

The first of the vessels built for the Szczecin shipping line by Turkey's Pendik shipyard should also be put into service this year. The contract calls for the construction of a total of three ships with a capacity of 26,300 DWT, with an option for another five units of that type. The purchase of the ships by PZM is linked to exports of ship equipment, especially the main engines manufactured by the H. Cegielski works in Poznan. The design and technical documentation are also the work of Polish experts from the Marine Consultants office.

The modernization of the fleet will give the shipping line a better chance in the increasingly sharper competition for access to cargos. A suitably diversified and qualitatively good fleet allows satisfying the needs of Polish foreign trade more completely, and making bids more attractive to foreign contractors.

It is estimated that the cargo carried by the Szczecin shipping line's vessels this year should amount to about 28 million tons, more or less the same as last year.

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DOMESTIC, FOREIGN FIRMS AT COMPUTER EXHIBIT

Warsaw ZYCIE WARSZAWY in Polish 11 Feb 87 p 2

[Article by (zaw.): "Computers at PKiN: 70 Exhibiters Present Innovations"]

[Text] (Own information) It is very crowded these days at the Palace of Culture and Science [PKiN], where from 10 to 13 February computers have taken over the exhibit halls. Entrance to the exhibit is by invitation only. Two hours a day are reserved for the public. There is enormous interest. This means that computer science is rapidly making headway in our country, although the 300,000 minicomputers in operation in Poland only put our country on the threshold of the computer revolution, in the opinion of the organizer of the exhibit, the AGPOL Advertising and Foreign Trade Publications Enterprise.

At PKiN, 70 Polish and foreign firms are presenting their equipment and programs: from West Germany, Austria, Finland, France, Switzerland, Hungary, Italy, and Great Britain. They include International Computers Limited from Great Britain, Olivetti from Italy, Hewlett-Packard from Austria, and Star Micronics from West Germany--firms well known in the computer market. Poland is being represented by state, cooperative, and Polonian enterprises. Several private firms have also found a place for themselves.

By organizing the exhibit, AGPOL--after last year's exhibit at "Victoria"--has for the second time assumed the role of an intermediary between computer firms, and industry and trade. Before then, none of the CEMA countries had organized such an exhibit. Foreign enterprises are eager to demonstrate their capabilities here, since in view of the declining demand and a certain computer saturation in the West, the CEMA countries are becoming an object of growing interest. The Polish market is considered by many to be very attractive, and even unlimited.

The problem, however, is that Western exporters are bound by the embargo on exporting technology to the CEMA countries, and thus, for example, one prominent American firm had to withdraw from participation in the Warsaw exhibit. Also well known are our foreign exchange difficulties; consequently, the Western offers are not directed toward private customers, but rather primarily state enterprises, and Polonian, private, and foreign firms--all the ones that can save foreign exchange for purchasing equipment and programs.

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OPZZ COMMISSION REVIEWS 'SOCIAL MINIMUM'

Warsaw TRYBUNA LUDU in Polish 14-15 Feb 87 p 2

[Article by PAP: "Social Minimum Assessed by OPZZ Economic Commission"]

[Text] On 13 February, the OPZZ [National Polish Agreement of Trade Unions] Economic Commission held its first meeting. In addition to organizational matters, the commission dealt with several substantive topics, with the main one being an assessment of the draft Council of Ministers resolution on investigating and defining the social minimum.

The originating body forwarded three alternative drafts to the OPZZ for consultations at the beginning of this year. This legal document would replace the 1981 Council of Ministers resolution on investigating and defining the social minimum.

Among other things, it is being proposed that the social minimum be expressed not in monetary terms, as in the past, but in substantive terms, so that it could be used to influence the market supply of essential products; it is also being proposed that the contents of the so-called minimum basket be calculated at current prices, and not at low ones, as in the past.

The commission did not accept any of the three alternative drafts of that resolution, stating that they did not take into account the positions of the OPZZ Executive Committee, which expressed its support last November for maintaining the past concept of the social minimum, its contents, and functions.

In connection with this, the commission declared itself in favor of retaining in its entirety the 1981 Council of Ministers resolution, which fulfills the social demands previously expressed by the trade unions, and at the same time corresponds to the current concept of the trade union movement, which considers the social minimum one of the main points of reference for social policy and for setting minimum wages and the minimum social services. In this regard, it was considered essential that the results of studies of the social minimum be forwarded to the unions for consultation, in accordance with the 1981 resolution.

It is worth recalling that for about two years the problems related to the social minimum have been one of the main topics dealt with by the trade union movement.

The commission next examined a draft Council of Ministers resolution on the subject of compensation for fire department employees (plant fire departments), and did not make any comments on it.

The third draft Council of Ministers resolution assessed by the commission dealt with the principles of compensation for workers employed in the offices and central agencies of cooperatives. There was a discussion of whether it was proper in general for the government to decide on the principles of compensation in a self-managing and self-financing cooperative. In spite of appearances, it is not such a simple matter. Admittedly, not all cooperative branches are subsidized, but in dairy cooperatives, for example, the amounts of budget subsidies considerably exceed the profits. After a lengthy discussion, the commission adopted a resolution in which it acknowledged that the decisions of the Council of Ministers on this matter should be made after direct consultation with the federations representing individual groups of cooperative workers. Generally in the future, however, it was stated, the national trade union organizations affected, and not the OPZZ, should be consulted on draft decisions affecting compensation rules for their professional circles.

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LEADING ECONOMISTS ASSESS REFORM EFFORTS

Warsaw TRYBUNA LUDU in Polish 9 Feb 87 p 4

[Article by Mieczyslaw Wodzicki: "A Look Beyond the Horizon"]

[Text] In the discussion under way about the future of the reform, its so-called second stage, various assessments, opinions, and proposals have been expressed. In some circles, one can perceive longings for solutions that would constitute a universal key for solving all the problems; in others, warnings are being given about excessive optimism and faith in such solutions...

In the latter, the predominant idea is that the enterprise and initiative of plants and their work forces can become the driving motor of the economy. It is in this direction, as it was stated at the recent meeting of scholars and associated practitioners at the Polish Economic Society, that the reform efforts to improve the economy should go. In the discussion (we reported on it in the 19/87 issue of TRYBUNA LUDU) there was no lack of harsh views of the results of the reform so far, and proposals for solving the accumulated problems.

How to Get Over the Hurdles

The socioeconomic situation has never been as favorable for reform as it is today (this was stated by Prof Jozef Pajestka, among others). The state of the economy has improved, and our prestige in the international arena has grown. There are fewer forces opposed to change. There are also no ideological suspicions about the correctness of the path chosen, since similar changes are occurring in other countries. Nevertheless, in order to protect ourselves against unforeseen situations, the professor suggested, we should undertake as many practical steps as possible, since today there is more "economic delay" and conventionalism in the economy than ever before.

The situation requires that in the second stage we introduce market-type solutions wherever they can be efficient. Then the reform will reach the citizen, and he will see its results in the shops and at work.

There is a possibility of breaking up monopolistic organizations, which are hindering the transformation processes today, since they are areas in which

efficiency is high, and also there--contrary to current practice--it is not possible to limit incentive profits going beyond the NPSG [National Socioeconomic Plan]. Consequently, the second stage especially requires consistency in differentiating good and bad work, and linking wages to actual production results (Prof Waclaw Wilczynski).

Faith in universal mechanisms will be disappointed (stated Prof Stanislawa Borkowska), since mechanisms are not enough to ensure that the system will function efficiently. Today we lack the techniques for shifting to the kind of instruments by which we could guide economic processes. This can be felt particularly in the area of wages, where the role of the social psychology factor--habits, traditions, and awareness--was underestimated. Collective agreements, which were helpful in such a situation, have been relinquished.

Sometimes the reform is also not favored by the attitude of the trade unions, which, although acting in defense of workers' rights, nevertheless hinder progress. This will make it more difficult to improve the standard of living in the future.

Prof Zdzislaw Sadowski stated that the autonomy of enterprises will be more meaningful when they act on the basis of correct signals from the market. We should aim at this in a selective manner.

Consequently, the PTE's position also emphasizes the need to select sectors of the economy in which it is possible to accelerate the reform processes with visible results. The PTE calls for including in these, above all, agriculture and branches of industry working directly for the needs of the market. The originator of this concept is concerned with having increased wages linked to increased supplies of goods. Exports must become another area intensifying the reform processes.

Window on the World

It is necessary to intensify reform activities in the market and export complex, and especially, it was stated, in agricultural production, purchase and processing, in housing, trade, and catering, in all services for urban residents, and in enterprises opening a door to the world. These areas, which are more susceptible to market mechanisms, are closely related to people's needs, and should have been given a strong preference a long time ago.

For this purpose, however, it is necessary to have the general assumptions of the reform more closely coordinated with the specific characteristics of individual areas, making the market and export sector a "tugboat" for the rest of the areas. On the other hand, the entire supply sector--the production of raw materials, machinery, and equipment, and also the technical infrastructure--should perform service functions with respect to those needs. Consequently, it must be fully adapted to the requirements of the reformed economy.

We need an aggressive model for opening to the world, reaching far into the 1990's (added director Czeslaw Gesicki from Ema-Apator in Torun). It should contain strategic courses of action. In addition to issues related to the

balance between states and coproduction ties, cooperation between firms in the East and West is becoming especially significant, since in contacts with the West there are no conditions or inclinations for major intergovernmental agreements, as in the 1970's, for example. The socialist countries are shifting the emphasis to contacts between firms, in view of the decentralization processes taking place there as well. Consequently, it is through that channel that the concept of an open economy is to be realized during this 5-year period and in the future.

Key to the System

It is still less prepared for fulfilling its role, however, than Polish enterprises are for stimulating domestic enterprise. According to Prof J. Pajestka, 70 percent of the international market is dominated by transnational corporations. The past reasoning of our foreign trade, which aimed at providing incentives to influence exporters, is therefore insufficient. We have to establish ties with partners in incorporated companies in order to "sell, even if the purchaser does not have any desire to buy, even when he has no use for it..."

It is also becoming necessary to expand forms of self-management in the control of social property (Prof W. Wilczynski) wherever the prices of the goods produced approach equilibrium prices, where the work forces are capable of autonomous management and bearing risks.

The entire system, as the participants in the PTE discussion suggested, should be subordinated to the criteria of profitability, and the funds for development and workers' incomes should be set in accordance with the profits earned. In connection with this, Dr Andrzej Wroblewski added, there is the problem of the placement of cadres to protect profits. Resources for new purposes, Prof Lukasiewicz proposed, could be obtained by issuing bonds or establishing funds.

Restructuring, however, has to be the key to the system. Prof Z. Sadowski stated that it should affect both changes in products and manufacturing technologies, and in relations between individual sectors of the economy and branches of industry. It can be carried out "from above"--through an appropriate policies for investment, prices, financing, and wages at the central level, and "from below," at enterprises, by adapting their products to the expectations of their customers.

The inclusion of the reform in the restructuring process means directing the main reform efforts from above to those areas desired to be improved, and the utilization from below of the reformed microeconomic mechanisms to intensify the development of individual enterprises and the flow of resources among them.

We have to carry out the restructuring--it was emphasized at the PTE. The areas which were responsible for development for the past 40 years have lost their dynamic strength. In order to carry out structural changes, it is essential to have mobility of the production factors: financial and material resources, and the labor force. In many countries, a dynamic power of

development is seen in professional mobility, in transferring from plant to plant, in changing professions and acquiring new skills. We have a negative view of that phenomenon, based on the pathological occurrence of excessive fluctuation.

This judgment should not be extended to professional and social mobility, the PTE warned. Mobility of the labor force is an essential element in restructuring the economy. Nevertheless, it is necessary to utilize this enormous pool of knowledge and experience properly.

The possibility of advancement, improving one's skill and in accordance with this improving material conditions, should accompany the actions of people and institutions. It is only in this way, by creating the motivation for good work, that we will be able to obtain the "critical mass" that will become the spontaneous nucleus of a chain reaction of changes in the economy and will determine the success of the reform.

9909
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CONCERN FOR IDEOLOGICAL INDIFFERENCE AMONG YOUNG GROWS

Bratislave PRAVDA in Slovak 19 Feb 87 p 3

[Article by Maria Durisova: "How to Remedy Political Naivete of Some Young People?"]

[Text] It would be deceitful to say that there are no individuals, not even among our young people, who consider everything in their environment only in terms of their personal advantage. They are often enthralled by the fool's gold of the capitalist society.

Such persons are not hard to find. They love loud hit songs, eccentric singers and shiny cars. Their conduct cannot be described in any other way than as political naivete. We must not underestimate it, especially because we know that bourgeois propaganda is trying to mislead our young people. However, we often keep our eyes and ears shut. After all, we are bringing up our youngsters in the spirit of socialist patriotism and proletarian internationalism, or aren't we?

A year or so ago I discussed patriotism and internationalism with the students of the Secondary Vocational School of Chemistry at Skalicka Cesta in Bratislava. Unfortunately, without their teachers' help they were incapable of thinking independently about such concepts. Naturally, young people should not learn these concepts only in theory; they should embrace them as their innermost conviction and then follow them in their deeds and conduct. However, it is astonishing, to say the least, if a student of that school--who knows the make of every car, every hit tune and every latest "fad" in vogue--replies that "he guessed that he might have heard the word 'internationalism' mentioned in some song."

In his address to the 17th CPCZ Congress Jaroslav Jeneral, the chairman of the Central Committee of the Socialist Youth League, very appropriately stressed: "We are fully aware that our efforts must be more convincing; we have to offer a more vivid picture of what happened before our times, so that our young people learn to seek a proper orientation, to separate the tares of fabrications concocted by bourgeois propaganda for the grain of Marxism-Leninism, and to help strengthen the far-reaching unity of progressive forces in the struggle for peace and for public and social progress."

We have referred to the political naivete of some young people. How is it possible? After all, we are giving them political education! Nevertheless, that education does not seem to be convincing and effective always and everywhere.

Recently I observed more closely political education in several organizations of the Socialist Youth League. According to the youngsters, their instruction does not react to confused views as flexibly as necessary and is not adaptable enough to the changes in their mind, which are a result of better education, a higher cultural level and availability of information. And how about our secondary schools and vocational training institutions? Education there is nothing more than continuation of school lessons. Somehow we have no time (or perhaps willpower) for informal discussions, and then we wonder why some members of our young generation cannot understand the essence of the changes occurring in the world at present, and why they have no idea what was said, by whom and for whom, not to mention patriotic and internationalistic feelings.

I do not wish to imply that we have no young patriots and internationalists whose deeds confirm their inner conviction. On the contrary, there are more of them than they are individuals for whom the concepts of patriotism and internationalism are alien. This may be confirmed by the former's achievements at work and by their participation in voluntary youth teams at construction projects and in young people's international comprehensive rationalization labor teams. Nonetheless, in spite of all that, we cannot remain indifferent to the latter group. For patriotic and internationalist education it applies twice as much as anywhere else that only informal education can succeed. Opportunities for success are on hand. Our elementary schools have rooms and wall displays dedicated to revolutionary traditions, clubs of international friendship, international Pioneer camps, and pen-pal exchanges with schools in socialist countries. Later there are students' exchanges, exchange trips abroad, excursions and meetings with young people from other countries. However, they fulfill their purpose only if we shall do more than make official speeches and if we make some room for discussions and polemics about life or whatever interests our youngsters.

It is the same story, for example, with the rooms of revolutionary traditions which are the pride of many shcools, but only when a "VIP" comes to visit. At other times the rooms remain locked and children just tiptoe past them.

Thus, those rooms serve only for the show, not for learning. In that case, how can we speak of informality? No wonder that our children and teenagers are turning their eyes in a different direction.

Let us remind ourselves again of the words which Haroslav Jeneral addressed to the 17th CPCZ Congress. He stressed that success would come only "if we present ideological contents into an attractive package and if those who have lived rich lives come to share their experience with our boys and girls."

9004/9190
CSO: 2400/176

HUNGARIAN MINORITY REPRESENTATIVES TO MEET

Bratislava PRAVDA in Slovak 10 Feb 87 p 2

[Item by CSTK: "Before a Csemadok Assembly"]

[Text] Csemadok, the cultural association of Hungarians working in the CSSR, is preparing for its most important event--its 14th general assembly which will be held on 11-12 April in Bratislava. As the representatives of Csemadok stated yesterday at a press conference in Bratislava, the association which became a member of the SSR National Front on 1 January 1987 has at present 524 local organizations with nearly 90,000 members. Its program contributes to the development of socialist ethnic culture and encourages its members to fulfill the society-wide tasks stipulated by the 17th CPCZ Congress. The achievements of its political organization and cultural education over the past 5-year period will be reviewed at the approaching general assembly; at that occasion the directions for its further activities will be outlined and the association will adopt new statutes. Csemadok's initiative in the fulfillment of the election programs of the SSR National Front is significant; its members have contributed annually more than 200,000 hours of voluntary work for the beautification of their communities, helped in the agriculture, etc.

9004/9190
CSO: 2400/176

MARXIST ECONOMIC THEORIES AT ODDS WITH SOCIALIST REALITY

Budapest ELET ES IRODALOM in Hungarian 20 Feb 87 p 7

[Interview with Kalman Szabo, chairman of the Department of the Political Economy, Karl Marx University of Economics by Ivan Ersek: "Theories or False Theories?"]

[Text] Generations that learned their political economics during the 1950's and through the 1970's find it increasingly difficult to reconcile the theory of those years with present Hungarian economic reality. As may be discovered in the high school that specializes in economics, political economics students today cannot reconcile today's theory with today's economic reform either, because they were taught that "the economics of socialism is a negation of the economics of capitalism". Using this tenet as a starting point, they are unable to comprehend the role of the marketplace, the autonomy of enterprises, the appearence of commercial banks and a number of other things. What is going on with the science of political economics these days? We raised this question to dr Kalman Szabo, chairman of the Department of the Political Economy at the Karl Marx University of Economics. He is responsible for providing theoretical foundations to future Hungarian economists.

[Question] Have theory and practice become totally disjointed in today's Hungarian economy? Or did recent theoretical conclusions not yet become public knowledge--perhaps not even in the form of textbooks?

[Answer] Since 1980, political economics is being taught from a new textbook. This textbook makes no rigid distinction between capitalist economics and socialist economics, because in socialist economics too we are talking about the economics of the marketplace. It is our intent to teach scientific economic theories based on Marxist foundations to our future economists.

[Question] But why only since 1980?

[Answer] By virtue of its nature, practice always preceeds theory. Systematizing the actual phenomena takes time, and in our case, we are accomplishing this in addition to teaching, in lieu of very small financial reward. The prolonged time it took for us was then extended generously by the printers.

[Question] According to some, the economic order that is evolving today is increasingly removed from what we recognized earlier as characteristic socialist economics. What kind of theoretical basis is there to refute such statements?

[Answer] Many would like to hear pat answers from Marx as to what should be the characteristics of a socialist economy. But in his perception of the political economy, Marx analyzed the phenomena of classic capitalism. He described the laws of classic capitalism, and drew his conclusions on the basis of those laws. By using the tools available to the economic sciences, Marx' statements concerning a new social and economic order that would necessarily replace the capitalist order could not be proven correct. Accordingly, his theory may only be used as a starting point to establish the economics of developing socialism.

[Question] Even if we wanted to understand today's capitalism, to explore its relationships, we would have to amend Marx' tenets, I would assume.

[Answer] Compared to the situation analyzed by Marx, capitalism has undergone some qualitative changes. The colonial system has collapsed, neo-colonialism has emerged. The invention of electricity and the internal combustion engine created a new technical revolution. Multinational corporations came into being. All this has substantially changed the profile of capitalism. And we, as Marxist theoreticians have not yet completed a systematic analysis of these changes, one that would maintain consistency--a coherent analysis in which the individual elements constitute an accurate and logical system. And so far as political economics is concerned, prior to the appearence of Stalin's treatise on the political economy in the early 1950's, university-level teachings in the the Soviet Union, the premier socialist nation in the world, simply contained relevant determinations made by the Party.

[Question] It would then follow that more intensive scientific research is needed, parallelling a broad dissemination of theoretical findings even outside the university.

[Answer] Following the creation of European socialist nations at the conclusion of World War II, there was hardly another choice than to follow the only existing practical example provided by the Soviet Union. But we should note that the model of a centrally planned economy has been infringed upon already in 1956-57, at which time the mandatory contributions were abolished. But agricultural production increased as a result: practice proved that the abolition of mandatory contributions was correct. In the mid-sixties several socialist nations began to consider making changes in the planned economy model, which previously appeared as the sole possibility. They examined the

possibility of how the peculiar features of market economies could be merged into central planning which is based primarily on in-kind contributions. If within agriculture the substitution of purchases for mandatory contributions worked, and the change did not upset the order of a planned economy, why should not some similar changes work in other areas of the economy also?

[Question] In other words, Hungary was not alone when it tried to abandon the path that had been assigned in political economics to socialist societies?

[Answer] Similar trends could be seen in Soviet endeavours that became the hallmark of Kosygin, as well as in the German Democratic Republic and in Czechoslovakia. But then, the political process chose a different route. Economics are so closely tied to politics that political decisions influence even the science that pertains to the economy. I might add that in the mid-sixties we had barely passed the times when more "pure" sciences, such as genetics and linguistics were also decisively affected by politics. It comes as no surprise that in 1968, when Hungary stood alone with its reform policies, newly developing theories became the primary concern at the expense of economic research. Economic research has stayed in the background ever since, if for nothing else because our relations with other socialist nations would have suffered from some of the more lively debates. And social sciences cannot develop in the absence of lively debates.

[Question] But there are so many who would want scientific theoretical answers to such questions as how much of the national income may be produced by the private sector, without challenging the socialist character of society and the economy. Or, for example: how many employees a private businessman may hire before his activities would be viewed as exploitation. Can there be a scientific response to such questions at all?

[Answer] The conditions of production are being institutionalized also in socialist society. But the method by which the institutionalization takes place belongs to the sphere that directs society. Therefore it is the directing body that responds to such specific questions. Just how scientific such answers will be, depends on the extent to which direction relies on scientific findings. One who directs society and regularly disregards scientific findings in his actions--irrespective of whether such findings belong to the realm of social sciences or natural sciences--will soon cast the nation into difficult cicrcumstances. In my opinion, the essential question in judging the private sector is whether the private sector enjoys organic acceptance by society at a given time and a given place. If the answer to that question is yes, a relatively large private sector will not endanger socialist progress. If the answer is no, then even an insignificant private sector that is parasitic in character may be dangerous.

[Question] What kinds of fundamental criteria are there to determine whether a given economy is socialist in character?

[Answer] The chief characteristic of socialism is that the most important resources are not in the hands of a social class that does not work, such as

the bourgeoisie. In socialism, societal decisions are not made pursuant to the interests of a class that is removed from reality, but according to the needs of a decisive majority of society. The objectives of production and re-production, and of available means which are always limited, are being ranked according to real needs. Meanwhile they take into consideration the law of values, which will not loose its validity as long as goods are being produced.

[Question] By what criteria do we define progress? In other words: how far has socialist society removed itself from capitalism, and how close did it come to the established goal of communism?

[Answer] The socialist character of the economy is becoming stronger when more and more people achieve a position in which they not only participate in economic processes by virtue of their work, but also influence and control the direction of these processes. A society acquires a vested interest in the influencing and control of economic processes, including in the long-range returns of such processes, when it increasingly endeavours to reconcile the viewpoints of current as well as of future consumption. This is so, because human beings satisfy their needs through consumption. Consumption, of course is not limited to material goods. This applies under the conditions of both socialism and communism. The purpose of economic activities is to maximize the satisfaction of these needs.

[Question] Economic efficiency is a frequent topic nowadays. In addition to the most productive live work, this concept encompasses the optimum efficiency of capital investments which in turn translate into technology, raw materials, energy, industrial real estate, etc. On the other hand, in the early sixties, in the framework of political economics I was told to believe that no price tag can be attached to the means of production under socialist conditions, because the means of production never appear at the marketplace. If this is so, how can the relative competitive advantages of a given productive branch be determined vis a vis those of competitors in capitalist nations, if we consider that capitalists calculate their capital investments on the basis of anticipated returns from the marketplace?

[Answer] The truth of the thesis you mentioned is not proven. It was declared in response to a planning need that is based on in-kind contributions. True, even after 1968 the term "market" overwhelmingly referred to the commodity market, whereas a functional commodity market is conditioned by the existence of a labor market. Nowadays they like to call the latter "work-force marketplace". It also referred to the availability of capital, to securities transactions, even to the stock market, the money market, the credit market and the real estate market. The latter markets had been essentially abolished in previous socialist practice. In the absence of a capital market today it is rather difficult to determine the real worth of the assets of one or another enterprise that is a part of social property. Yet it is the variations in the real worth of assets that determine real profits and losses. Quite naturally, this takes place only if the system of pricing and taxes is appropriate.

[Question] Accordingly, a stock market is not necessarily in conflict with socialism. But how can those, who studied political economics a few years ago determine whether the flaw was in those teachings, or if it is today's practice, or at least today's intended practice that has taken the wrong direction?

[Answer] The process that is evolving in the Soviet Union may provide a tremendous boost to ideological development. A debate in the pages of KOMMUNIST that had its beginnings toward the end of last year, concerns the application of the law of values to socialist economies. Previously such applications were deemed to be unnecessary in the economic practice of the Soviet Union--and not only of the Soviet Union. They thought that the socialist law of economics that prescribes "planned, proportional development" is a substitute for everything. Some noteworthy studies have appeared in capitalist nations also. And by virtue of its methodology, scientific Marxism is capable of accepting anything that is produced by scientific development, anywhere in the world.

[Question] Does this apply to bourgeois economics also?

[Answer] Why should not the truths uncovered by bourgeois economists concerning capitalist production be utilized in socialist production? What we should not do is to accept things automatically, without control. We must examine whether in a given socialist nation there is fertile soil--in the societal and national sense of that term--for concepts proven under capitalist conditions. Securities exchange is one example. A stock market functions well in developed capitalist nations only, where there is a sufficient number of securities that circulates and changes ownership on a daily basis. The advantage of socialist societies that profess to have a Marxist outlook is that such societies are interested in the transfer, the adaptation and the utiliziation of new knowledge. Whether a socialist society acts accordingly depends largely on whether control is in the hands of the increasingly broadening, progressive strata of workers. Alternatively, a society will not act accordingly, if real power over social and economic functions is exercised by a relatively narrow group whose interest is to maintain the status quo.

12995
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FRENCH FOREIGN MINISTER MEETS WITH OPPOSITION

PM161018 Paris LE MONDE in French 12-13 Apr 87 p 4

[Jan Krauze dispatch: "Raimond Devotes Considerable Time to Contacts With Opposition"]

[Text] Warsaw--Saturday 11 February, the second day of Jean-Bernard Raimond's visit to Warsaw illustrated, in a fairly unspectacular way, the two aspects of French policy toward Poland. These two aspects are dialogue with the government, because the French foreign minister was received early in the morning by General Jaruzelski before another series of meetings, mainly with the premier, and the concern "not to discourage" the opposition and not to disregard a major component of the Polish situation. Mr Raimond invited this opposition, or at least some of its leading representatives, to luncheon at the embassy and he was then due to lay a wreath at the grave of Father Popieluszko murdered by officers of the political police in 1983, and at the same time Mr Noiville, director of political affairs at the Quai d'Orsay, who, like Mr Raimond, is a former ambassador to Warsaw, was due to visit Gdansk to meet with Lech Walesa.

This amounts to a series of fairly emphatic gestures, and, in any case, considerably more than the bare minimum. Indeed, the list of guests invited for luncheon at the embassy goes far beyond the old "friends" with whom Mr Raimond said he wished to meet--or at least they are people with whom he symphatizes, like Zbigniew Bujak, former clandestine Solidarity leader, who defied the regime for years and is now a member of the trade union's (illegal) provisional council. In addition to this worker, the guests included a series of intellectuals who clearly represent Solidarity, like Mr Geremek, Mr Onyskiewicz, Adam Michnik, and several members of the Catholic intellectuals' club like Mr Wielowieyski and Mr Stelmachowski, and Mr Turowicz, editor of the weekly TYGODNIK POWSZECHNY.

It will be up to the Warsaw authorities to decide whether they want to turn a blind eye to this behavior which, after all, is adopted more or less openly by almost all Western politicians who visit Poland, or to take the view that France is making matters worse. Indeed the Warsaw authorities still pretend to blame Paris completely for the cool relations between the two countries in recent years.

"Open Dialogue"

During the initial talks on Friday between Mr Raimond and Polish Foreign Minister Marian Orzechowski, the latter avoided placing too much emphasis on the past. Instead, he expressed the desire for "open dialogue" to be established between the two countries and expressed the hope that Mr Raimond's visit--the first by a French foreign minister for 6 years--will give "new impetus to bilateral relations."

The customary review of East-West relations and disarmament did not really produce any new elements. Moreover, the French think that the Polish positions do not differ in the slightest from the Soviet viewpoint and that the importance of the talks is, therefore, limited.

As expected, Mr Raimond was asked to explain a joint statement with [FRG Foreign Minister] Genscher in which he mentioned the possibility of changing European borders "in accordance with international law and by peaceful means." He assured his interlocutors that his intention was merely to leave the door open for a possible reunification of the German people and not to question Polish-German borders. In this connection, he cited what General de Gaulle said when in Poland 20 years ago. Moreover, the Poles would like to commemorate this visit, with which they were very satisfied, perhaps by a visit by National Assembly Speaker Chaban-delmas.

Both sides said they wanted to develop economic exchanges, but Mr Raimond made no promises, particularly not on the subject of credit. On the other hand, the French minister announced a considerable increase in the sums devoted to cultural and technical cooperation, particularly more grants and an effort on the teaching of French in Poland (on which Polish officials had made threats in recent years). France will also give Poland four AIDS screening devices.

/8309
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MORTALITY IN CZECHOSLOVAKIA UNFAVORABLE

Prague DEMOGRAFIE in Czech No 4, 1986 pp 351-359

[Excerpts from article by Vladimir Srb: "Mortality of the Population of Czechoslovakia, 1950-1984"]

[Excerpts] Current mortality levels for the Czechoslovak population are not favorable. This is true for both the Czech lands and Slovakia. Since the end of the second world war the evolution of mortality has been marked by significant fluctuations between periods of decline, periods of increase, and periods of stagnation. If one ignores the immediate post-war years it may be stated that mortality figures stabilized in the early 1950s (an average for 1950-1954) at 10.9 deaths per 1,000 inhabitants. This is a composite figure reflecting 11.0 deaths per 1,000 inhabitants in the Czech lands and 10.5 deaths per 1,000 inhabitants in Slovakia. Mean life expectancy figures at birth during this period were 66.0 years (66.9 years in the Czech lands and 64.3 years in Slovakia).

The 1950s turned out to be a highly favorable period in terms of mean life expectancy. In 1937 mean life expectancy at birth had been only 56.8 years, making the 1950-1954 average 9.2 years longer. The figure for the Czech lands for both sexes increased by 8.4 years, from 58.5 to 66.9 years. For Slovakia the increase was more striking; from a mean life expectancy in 1937 of 53.3 years to 64.3 years in 1950-1954, an increase of 11 years. Comparisons of average mortality from the first and second half of the 1950s indicates that on the average for both sexes the $\hat{e}_0$ indicator increased by 3.2 years for Czechoslovakia (2.8 years for the Czech lands and 3.9 years for Slovakia). Increased life expectancy was greater for women than for men and greater in Slovakia than in the Czech lands.

Table 1. Mean Life Expectancy, e_0^o, in 5-Year Averages, 1950-1984

Territory	1950-1954	1955-1959	1960-1964	1965-1969	1970-1974	1975-1979	1980-1984
BOTH SEXES							
CSSR	65.99	69.18	70.40	70.22	69.96	70.57	70.62
CSR	66.92	69.75	70.47	70.16	70.00	70.65	70.67
SSR	64.29	68.19	70.59	70.52	70.07	70.51	70.70

[table continued from previous page]

MALES							
CSSR	63.70	66.63	67.59	67.01	66.55	67.04	66.98
CSR	64.52	67.17	67.51	66.84	66.56	67.15	67.12
SSR	62.36	65.91	68.24	67.73	66.77	66.91	66.79
FEMALES							
CSSR	68.29	71.70	73.22	73.42	73.37	74.10	74.27
CSR	69.32	72.34	73.44	73.49	73.43	74.15	74.21
SSR	66.20	70.48	72.95	72.95	73.32	73.37	74.12

The rate of increase of mean life expectancy at birth was very rapid during this time. The annual average for both sexes for Czechoslovakia as a whole was 0.64 years, (0.57 years for the Czech lands and 0.78 years for Slovakia). The rate of increase was slower for males, with the $\hat{e}_0$ figure of 0.59 years nationwide (0.53 years in the Czech lands and 0.71 years in Slovakia). The average increase for women was 0.68 years nationwide (0.60 years in the Czech lands and 0.86 years in Slovakia).

The above developments have affected Czechoslovakia's position in international comparisons. The average life expectancy for both sexes in Czechoslovakia for the 1955-1960 period was 69.6 years. This placed Czechoslovakia first among all socialist countries, but ninth among all countries. Countries with longer average life expectancies in the 1955-1960 period included Norway, 73.3 years, Iceland, 73.0 years, Sweden 72.6 years, Denmark, 72.0 years, New Zealand, 71.5 years, Canada, 70.6 years, Australia, 70.4 years, and United Kingdom, 70.1 years. Average life expectancy for both sexes in Czechoslovakia was 3.7 years. Average life expectancy for both sexes in Czechoslovakia was 3.7 years, or 5 percent, less than that of Norway for this period. The figure for Czechoslovakia was higher, however, than the aggregate figure for all advanced countries.

Table 2. Changes in 5-Year Averages for Mean Life Expectancy, e_0^o, 1950-1984

Territory	1950-54 to 1955-59	1955-59 to 1960-64	1960-64 to 1965-69	1965-69 to 1970-74	1970-74 to 1975-79	1975-79 to 1980-84	1950-54 to 1980-84
BOTH SEXES							
CSSR	3.19	1.22	-0.18	-0.26	0.61	0.05	4.63
CSR	2.83	0.72	-0.31	-0.16	0.65	0.02	3.75
SSR	3.91	2.40	-0.07	-0.45	0.44	0.19	6.42
MALES							
CSSR	2.93	0.96	-0.58	-0.46	0.49	-0.06	3.28
CSR	2.65	0.34	-0.67	-0.28	0.59	-0.30	2.60
SSR	3.55	2.33	-0.51	-0.96	0.14	-0.12	4.43

[Table 2 continued from previous page]

FEMALES							
CSSR	3.41	1.52	0.20	-0.05	0.73	0.17	5.98
CSR	3.02	1.10	0.05	-0.06	0.72	0.06	4.89
SSR	4.28	2.47	0.37	0.05	0.75	0.49	8.41

Success in reducing mortality culminated in Czechoslovakia in 1960, or rather early in the 1960s. In the Czech lands the longest mean life expectancy for both sexes was reached in 1960 (70.80 years), and in Slovakia in 1964 (71.12 years). The year 1964 also saw the highest national average, 70.66 years. These figures would place Czechoslovakia in 13th place, worldwide, for the 1960-1965 period.

In terms of 5-year averages the evolution of mortality in the 1960-64 period represented a slowing of the rate of decline of mortality in comparison with the 1955-1959 average. What did continue in 1960-1964 was the pattern of reduced mortality and greater increases in life expectancy for women. This trend of differing evolutionary paths for male and female mortality, with females experiencing the more favorable developments, has continued and corresponds to trends in all countries with comparable mortality profiles.

Table 3. Infant Mortality in 5-Year Averages, 1950-1984 (Deaths per 1,000 Live Births)

Territory	1950-1954	1955-1959	1960-1964	1965-1969	1970-1974	1975-1979	1980-1984
CSSR	58.2	31.0	22.5	23.5	21.4	19.6	16.5
CSR	46.8	25.1	19.8	22.1	19.7	18.1	15.2
SSR	78.7	40.5	26.8	26.0	24.6	22.5	18.6

The second half of the 1960s witnessed an increase in mortality. This trend first continued at a faster pace, then began to reverse itself in the early 1970s. These changes are evident from Table 2 which shows the increase in mortality and reduced mean life expectancy for both 5-year periods. The lowest figure for mean life expectancy and conversly the highest mortality figure was recorded, for both sexes, in Czechoslovakia, the Czech lands and Slovakia, in 1970, at 69.58, 69.56, and 69.82 years respectively. Increased female mortality that was experienced on a nationwide scale and in the Czech lands, but not in Slovakia, was relatively much smaller than the increased mortality experienced by males.

Since then mortality figures have fluctuated. The 1975-1979 period was more favorable than the 1970-1974 period, especially in the Czech lands. This was due in part to the unfavorable mortality experience of males in Slovakia. During the same period, however, females in Slovakia experienced more favorable mortality than females in the Czech lands. Nevertheless the mean life expectancy of women in the Czech lands was still greater than that of women in Slovakia in the 1975-1979 period. The same was true of male life expectancy. The evolution of male mortality in the Czech lands and in Slovakia has been

interesting: through 1960-1961 the mean life expectancy for males in the Czech lands was always greater than that of Slovak males. Beginning in 1961, and ending in 1974, males in the Czech lands experienced greater mortality than males in Slovakia, meaning that the $\hat{e}_o$ figure for the Czech lands was worse than that for Slovakia for this entire period. Since 1975 the relationship has again reversed itself, with males in the Czech lands having a longer mean life expectancy than males in Slovakia. This has been true of every subsequent year for which we have mortality data compiled (1984). The magnitude of these differences in mortality between Czech males and Slovak males may be derived from the data in Table 2.

This 35-year record in the evolution of mortality as reflected in mean life expectancy at birth is quite poor. The $\hat{e}_o$ indicator has increased over this period of time (from the 1949-1951 average to the 1984 figures) by a total of 7.48 years (from 63.23 to 70.71 for the CSSR as a whole), making the annual average increase in mean life expectancy only 0.22 years. For the Czech lands life expectancy increased by a total of 6.18 years (from 64.56 to 70.74) or 0.18 years annually. Life expectancy in Slovakia increased by a total of 10.17 years (from 60.68 to 70.58 years), for an average annual increase of 0.30 years.

Reductions in infant mortality had a large impact on increased life expectancies. The importance of infant mortality figures for the synthetic life expectancy statistic is well known. This has had a great impact in the past when the percentage of children that died before reaching the age of one constituted a significant component of population changes. For instance, as recently as 1950 infant deaths represented 15.7 percent of total deaths (11.7 percent in the Czech lands, and 26 percent in Slovakia). By 1960, however, this figure had declined to 4.1 percent of the total (2.7 percent in the Czech lands, 8.0 percent in Slovakia), by 1970 3.1 percent (2.4 and 4.9 percent in the respective territories) and by 1980 infant deaths accounted for only 2.5 percent of total deaths nationwide (1.9 and 3.9 percent in the respective territories). The reduction in infant mortality in the 1950s played a significant role in the rapid increase in mean life expectancy at birth. At the national level reduced infant mortality accounted for 59 percent of the increase in life expectancy for males between 1949/51 and 1960/61 of 6.71 years, and for 47 percent of the increase in life expectancy for females over the same period of 7.59 years. Then in the 1960s when overall mortality figures were worsening it required only a small decrease in infant mortality to have a moderating affect on the decline in mean life expectancy at birth figures. In 1970, for instance, the mean life expectancy for both men and women was lower than in 1960-61 (by 1.41 and 0.18 years respectively) but reductions in infant mortality had offset the decline in life expectancy for men by 6.4 percent and for women by 38.9 percent of the life expectancy indicator. This means that increased mortality in the middle and higher age cohorts exerted the greatest impact on the decline in the $\hat{e}_o$ indicator.

Table 5. Changes in Specific Mortality of Males and Females, 35-69 Years Old, 1950-84

Age	1950-54 to 1960-64	1960-64 to 1970-74	1970-74 to 1980-84	1950-54 to 1980-84	1950-54 to 1960-64	1960-64 to 1970-74	1970-74 to 1980-84	1950-54 to 1980-84
	Percentage change in mortality per 1,000 individuals between listed periods							
	MALES				FEMALES			
CSSR								
35-39	-23	17	—	-31	-42	-7	-15	-54
40-44	-19	26	4	7	-33	—	-10	-40
45-49	-19	30	9	13	-25	3	- 9	-30
50-54	-19	22	13	10	-24	6	- 6	-24
55-59	-11	10	34	31	-21	4	- 2	- 1
60-64	- 3	6	1	3	-21	1	- 1	-20
65-69	- 1	12	-3	8	-18	-0	- 2	-20
CSR								
35-39	-17	12	-7	-14	-43	- 8	-17	-57
40-44	-17	20	—	—	-33	—	-10	-40
45-49	-18	25	4	7	-25	3	- 9	-30
50-54	-19	20	8	3	-21	4	- 6	-23
55-59	- 9	9	8	7	-19	4	- 3	-19
60-64	- 1	4	2	5	-20	2	- 1	-18
65-69	1	11	-4	8	-18	1	- 1	-17
SSR								
35-39	-24	23	3	- 3	-44	—	-14	-52
40-44	-24	44	12	22	-32	—	- 5	-35
45-49	-25	48	16	28	-28	3	- 6	-30
50-54	-23	41	35	27	-30	10	- 6	-27
55-59	-14	17	31	33	-27	5	- 2	-25
60-64	- 7	11	14	17	-23	-2	- 1	-26
65-69	- 6	17	3	14	-22	-5	- 2	- 7

The unfavorable level of the overall life expectancy indicator for Czechoslovakia is caused mainly by a very high level of male mortality. Female mortality is somewhat more favorable, even though it is not where we would like it to be. On the other hand the evolution of child mortality has been satisfactory as well as the evolution of mortality figures for low middle aged persons (ages 30-35), in contrast to the evolution of infant mortality and the mortality figures for sales over 40 years old and females over 50 years old.

When it was on the decline, the specific mortality of males was marked by declines in every age group in the adult population. The same was true of females, except that the rate of decline was greater and included the older age cohorts as well. This was then followed by a decade of regression (1965-1974). Specific mortality of males increased in all age groups beginning with age 35, with dramatic increases recorded for the ages of 40-54. This pattern held true for both the Czech lands and for Slovakia, and mortality increased right through the oldest age groups. The evolution of female mortality was

not satisfactory in these years either. Mortality increased for women over the age of 45 with varying intensities in the Czech lands and in Slovakia, and increases in the Czech lands reached the older age groups as well. At the higher ages Slovakia experienced more favorable evolution, with the mortality figures for older females lower than in the Czech lands. For males, even the most recently studied decade (1975-84) cannot be considered favorable, especially in Slovakia, and beginning with the age of 40. This most recent period for females has on the other hand, been quite favorable, with the net result that along the entire age scale there has been a decline in mortality, with the greatest declines coming in the lower middle ages.

Table 6. Differences in Specific Mortality for Males and Females, 35-69 Years Old, Between the CSR and SSR, 1950-1984

	SSR mortality higher or lower (-) than CSR mortality, in percent						
Age	1950-1954	1955-1959	1960-1965	1965-1969	1970-1974	1975-1979	1980-1984
Males							
35-39	17	13	8	16	18	36	32
40-44	7	6	- 3	--	17	24	31
45-49	--	5	- 9	- 5	7	18	19
50-54	- 9	- 4	-14	-15	- 6	6	11
55-59	-12	-10	-17	-17	-11	- 5	--
60-64	-16	- 7	-21	-20	-16	-13	- 6
65-69	-16	-17	-22	-18	-14	-14	-12
Females							
35-39	9	20	8	--	17	9	20
40-44	3	8	5	5	5	11	11
45-49	4	6	--	--	--	7	3
50-54	6	3	- 6	- 2	--	--	--
55-59	7	1	- 4	- 4	- 2	1	- 1
60-64	2	9	- 3	- 5	- 7	- 5	- 7
65-69	3	4	- 2	- 4	- 8	- 8	- 9

To ascertain the international position of Czechoslovakia at the present time we have used data showing averages for 1975-1980, because some of the data for the 1980-1985 period is only estimated. Up until the 1975-1985 period the position of Czechoslovakia was deteriorating. While prior to 1960-1965 the $\hat{e}_0$ indicator for Czechoslovakia was always greater than the mean for all advanced countries, beginning with the 1965-1970 period this ceased to be the case. In the 1975-1980 period Czechoslovakia was 1.7 years (2.4 percent) behind this average, and among the CEMA countries it trailed Bulgaria, the GDR, Poland, and Romania. Czechoslovakia ranked 27th out of a set of 33 developed nations. We clearly have the potential to improve this position, beginning with infant mortality. But the main opportunity lies in the middle age groups, where every reduction in mortality contributes "extra" years to the mean life expectancy. Given the sophistication of the Czechoslovak health care system these are objectives that should be easy to reach.

Table 7. Mean Life Expectancies, e_0°, in 5-Year Averages for Both Sexes in Various Areas of the World, 1950-1985

Territory	Mean life expectancy eo, in period							Differences between periods		
	1950-1955	1955-1960	1960-1965	1965-1970	1970-1975	1975-1980	1980-1985	55-55a 60-65	60-65a 70-75	70-75a 80-85
World	47.0	49.8	52.1	54.1	55.8	57.5	58.9	5.1	3.7	3.1
Developed Countries	65.2	68.4	69.8	70.5	71.3	71.9	73.0	4.6	1.5	1.7
Third World Countries	42.4	45.4	48.3	51.0	53.1	55.1	56.6	5.9	4.8	3.5
Eastern Europe	63.0	66.4	63.7	69.7	69.7	70.8	71.7	5.7	1.0	2.0
Bulgaria	64.1	66.9	70.0	70.9	71.8	82.0	72.3	5.9	1.8	0.5
CSSR	65.9	69.6	70.4	70.2	70.4	70.2	71.6	4.5	—	1.2
GDR	66.4	68.3	69.6	70.6	71.1	71.8	72.1	3.2	1.5	1.6
Hungary	63.9	67.1	68.7	69.2	69.5	69.9	71.2	4.8	0.8	1.7
Poland	61.3	65.8	68.3	69.9	70.1	70.8	72.0	7.0	1.8	1.9
Romania	61.1	64.1	66.8	68.4	67.2	70.4	70.9	5.7	0.4	3.7
Northern Europe	69.2	70.4	71.2	71.8	72.5	72.9	74.0	2.0	1.3	1.5
Denmark	70.9	72.0	72.3	72.8	73.9	74.1	74.9	1.4	1.6	1.0
Finland	66.2	68.0	68.9	69.7	70.4	72.7	73.2	2.7	1.5	2.8
Iceland	72.0	73.0	73.4	73.8	73.9	76.1	76.7	1.4	0.5	2.8
Ireland	66.9	68.9	70.3	71.1	71.8	72.2	73.0	3.4	1.5	1.2
Norway	72.6	73.3	73.4	73.8	74.5	75.0	75.9	0.8	1.1	1.4
Sweden	71.8	72.6	73.5	74.1	74.6	75.3	75.8	1.7	1.1	1.2
Britain	69.0	70.1	71.0	71.5	72.3	72.3	73.7	2.0	1.3	1.4
Southern Europe	63.3	66.3	68.1	69.5	70.9	71.7	73.5	4.8	2.8	2.4
Albania	57.9	60.7	63.5	66.4	68.1	70.9	70.9	5.6	4.6	2.8
Greece	65.7	68.0	69.6	70.9	71.8	72.8	74.0	3.9	2.2	2.2
Italy	66.0	68.6	69.8	70.9	72.0	72.5	74.4	3.8	2.2	2.4
Malta	65.9	68.1	68.9	69.9	70.8	71.0	71.7	3.0	1.9	0.9
Portugal	59.3	62.3	64.2	66.1	68.0	70.0	70.8	4.9	3.8	2.8
Spain	65.2	67.5	69.5	70.8	72.1	72.8	74.3	4.3	2.6	2.2
Yugoslavia	57.8	62.3	64.3	65.8	67.6	69.4	71.2	6.4	3.4	3.6
Western Europe	67.6	69.7	70.7	71.2	72.0	73.0	74.1	3.1	1.3	2.1
Austria	65.9	68.0	69.2	69.9	71.2	71.7	73.0	4.3	2.0	1.8
Belgium	67.5	69.7	70.8	70.9	72.9	71.8	73.3	3.3	2.1	0.4
France	66.5	69.6	70.9	71.6	72.6	73.7	74.5	4.4	1.7	1.9
FRG	67.5	69.0	70.0	70.3	70.6	71.8	73.3	2.5	0.6	2.7
Luxemburg	66.0	67.5	68.8	69.9	70.8	71.6	72.8	2.8	2.0	2.0
Netherlands	72.1	73.0	73.4	73.6	73.8	74.8	75.9	1.3	0.4	2.1
Switzerland	69.3	70.7	71.7	72.2	72.4	74.7	75.9	2.4	0.7	1.5

[Table 7 continued from previous page]

USA	69.0	69.6	70.0	70.5	71.3	72.9	74.0	2.0	1.3	2.7
Canada	69.1	70.6	71.4	72.0	72.4	73.5	74.9	2.3	1.0	2.5
Australia	69.6	70.4	71.2	71.9	72.4	73.1	74.4	1.6	1.2	2.0
New Zealand	70.6	71.5	71.8	71.7	71.0	73.0	73.4	1.2	0.1	1.5
Japan	64.0	66.8	68.9	71.1	73.3	75.6	76.6	4.9	4.4	3.3
USSR	61.7	68.4	70.0	70.0	70.4	69.6	70.9	8.3	0.4	0.5

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CENTRAL COMMITTEE MEMBERS OUTLINE ECONOMIC STRATEGY

East Berlin NEUES DEUTSCHLAND in German 11 Mar 87 pp 3-4

[Article by Prof Dr Helmut Koziolek, member of the Central Committee, director of the Central Institute for Socialist Economic Management With the SED Central Committee, and Prof Dr Otto Reinhold, member of the Central Committee, rector of the Academy of Social Sciences With the SED Central Committee: "On the Creative Theoretical Work in the Political Economy in the Shaping of Developed Socialism in the GDR"]

[Text] The finding that without revolutionary theory there can be no revolutionary practice applies especially to the successful shaping of the developed socialist society. Solid analyses and theoretical foundations are required to be able to manage economy and society consciously and according to plan and to realistically determine goals, tasks and methods. Thus the development of our flexible, efficient planned economy as the solid foundation for the strengthening of socialism and the steady improvement of the life of our people confirms that a well functioning system of management and planning of the economy can now be expected only if it is based on the fundamental laws of intensively expanded reproduction.

Political Economy Lives in the Decisions of the Party

The policy of the SED has always been determined by the unity of theory and practice. When our party has succeeded in reacting in a timely and flexible manner and to lay down the necessary measures, this has not merely involved finding pragmatic solutions. The search for new paths has always been linked to new theoretical answers in principle, to the creative application and development of the Marxist-Leninist theory. Therefore the political economy of socialism lives in the decisions of the party and is enriched by them. That holds true for the political economy existing in the GDR and achieved in the system of the socialist planned economy existing in the GDR. In the future, too, the policy of the party will be determined by theoretical penetration and practical solution of questions newly raised by life.

We shape the developed socialist society in our country--as underscored by Comrade Erich Honecker at the Third Central Committee Plenum--according to our concrete historical conditions in the spirit of our party program. With the extraordinary dynamic of this process, which is determined by internal as well as external factors, a large number of new theoretical questions are posed. The findings of the classics of Marxism-Leninism form the solid foundation for the forward-looking response to them, but of course they do not constitute readymade prescriptions, in accordance with the revolutionary character and the creative spirit of our theory.

At the conference of the secretariat of the SED Central Committee with the First Secretaries of the Kreis Managements, Comrade Erich Honecker stated that the guarantee of a stable, dynamic economic and social development based on the latest achievements of scientific-technical progress makes it necessary for every country to take the status of its development and its specific conditions into account, which, of course, entails that there will also be differences in approach. "Building up of socialism is a constant process of creative search for the best solutions which correspond to the national conditions and thus are also crucial in the international arena." [2]

The 11th SED Congress emphasized the great importance of creative theoretical work. New theoretical knowledge could be obtained in the past and can be obtained only in the context, in dialectical interaction with practical party activity. New theoretical conclusions always result from the generalization of practical experience and from new standards. In this connection the creative work of the political economists, of the economists together with other social scientists and natural scientists plays a big part.

The 11th SED Congress has acknowledged their contribution to the creative development of theory and practice and has stressed that their activity is inseparably linked with the policy of the party. To them the task is posed to research the "conditions for the implementation of the economic strategy of our party, for the further shaping of management and planning of the economy."[3] Research must achieve results with respect to the requirements and driving forces of economic growth through the further acceleration of scientific-technical progress and through comprehensive intensification. Thus the demands result from the striving for a highly productive economy as it is continuously created and more and more developed in the process of shaping the developed socialist society.

Unity of Economic and Social Policy

The 11th Party Congress has initiated a new stage in the further shaping of the developed socialist society. Consistent continuation of the tested course of the unity of economic and social policy is in the center

of all efforts in accordance with the new possibilities and requirements; this unity of economic and social policy is the principal battlefield of the party. This gives expression to the fact that we pursue scientific-technical progress and dynamic economic growth always with the aim of successfully solving social tasks and consistently continuing the party's social policy. Thus we underscore at the same time that the successful implementation of the economic strategy with respect to the year 2000 requires that appropriate conditions be created in all spheres of society, especially that the required social consequences be taken into account. Basis for the achievement of such conditions is a revolutionary change now of the productive forces through broad economically effective utilization of scientific-technical progress.

The SED program, which was adopted at the 9th Party Congress in 1976, defines as SED strategic goal to continue shaping the developed socialist society in the GDR, thus creating fundamental conditions for the gradual transition to communism. This social concept, now already tested in life, in the future, too, forms the basis for determining the policy of our party. It starts from the assumption that the developed socialist society by continuously higher development, in the process of profound political, economic, social and intellectual-cultural changes, makes its advantages, its driving forces, values and ideals more and more comprehensively effective.

The actual central element of our social strategy is the unity of economic and social policy. Characteristic of that is a development of the socialist society in which scientific-technical and economic progress with a high rate of growth of the economy is linked with the improvement of the material and intellectual-cultural standard of living of the working people. Only in this manner is it possible to develop further and with lasting effect the driving forces of socialist society, to guarantee the unity of party and people under all conditions. Social, political as well as intellectual-cultural aims can be attained only on the basis of continuous dynamic growth of the economy, for which the required social conditions must always be guaranteed anew. The scientific-technical revolution, the struggle of the two social systems, the fact that this struggle can be carried on only peacefully and other factors have now considerably strengthened this dynamic.

Therefore the SED for a long time has regarded it as a fundamental task to focus society and to direct its entire leadership activity towards recognizing the developmental processes and new requirements in time and to draw the necessary conclusions. To develop meaningful analyses and theoretical generalizations for this purpose is one of the essential demands facing the political economy. It requires the consistent continuation of the policy of the main task above all, to link the scientific-technical revolution with increasing effectiveness with the advantages of socialism.

Consequences Arising From the Revolutionary Change of the Productive Forces

Obviously revolutionary changes unparalleled in history are taking place in our time with the coming into effect of the key technologies as a result of the scientific-technical revolution. Exemplary in this respect is the advance of microelectronics and its merging with mechanics in machine building. "A new stage of development of automation technology becomes evident—flexible automation. Its trend goes increasingly from isolated solutions to general automation solutions for integrated technological processes. What is involved here is perhaps the most concentrated expression of comprehensive penetration of the entire production process by microelectronics-based computer technology."[4]

The general character and the rate of spreading of these key technologies must be especially emphasized. Without exception all fields of the economy are affected in one way or another and beyond that all fields of social life. With the help of modern science and technology the material basis can now be created that makes it realistically possible to develop more and more comprehensively the advantages of socialism, especially its social, humanist nature.

The demand on the political economy to make the development of the productive forces themselves fully the object of the work is thus reinforced. At the same time the task develops to research the connection of production and consumption, questions on the development of demand, of the performance principle and to develop theoretical starting points for the constant perfection of the social conditions to be created. The revolutionary change of the productive forces is inseparably linked with important changes in all other areas of society. Included are the steady further development of the socialist production conditions so that they act at all times as driving force and form of movement of the productive forces as well as also a highly effective connection of science and production, changes in form and character of work and in the working and living conditions.

Higher demands are being made on capability, awareness and active attitude of the working people. Thus their opportunities increase to influence the development of the productive forces and the shaping of the production conditions, for which there is a wide scope through socialist democracy in its varied forms--especially by intensive labor union participation. In our socialist democracy there lies great strength, there is the lever for further social progress in our country.

None of these questions can be answered or shaped in practice apart from the present process of technological change, just as on the other hand scientific-technical progress cannot take place isolated from the general

social conditions. "The profound changes in all areas of our society are inseparably intertwined. We devote great attention to intellectual and cultural development because without it there can be no social progress, no development of the socialist way of living. But the foundation of progress is a revolutionary change of the productive forces, which takes on clear outlines in the broad introduction and economically effective application of the key technologies."[5]

Achievement of this social concept poses new high demands on the entire Marxist-Leninist theory. Therefore a large part of the GDR social science work deals with the societal, especially the economic and social questions of the scientific-technical revolution in our country. The work of the economists and sociologists as well as of the philosophers and cultural students is concentrated on this topic in complex research.

A multitude of in principle new questions must be answered. Every new answer as a rule is connected with the correction of obsolete views. This must find expression also in exact definitions of socialist production conditions, the economic laws of socialism and other categories which are indispensable for theoretical work. That is merely the elementary starting point, the basic tool. More important is the real process, the answer to the question how the socialist production conditions must be shaped, how they must be continuously further developed, so that they act as driving forces of a rapid development of the productive forces, especially of modern science and technology. How is it possible to affect the economic laws of socialism so that they ensure and strengthen the dynamics of the economy?

That signifies that the practical experiences and requirements for creative theoretical work attain significantly greater importance. New theoretical knowledge can be gained less than ever apart from the practical struggle of the party. Already in the "Questions of Science and Technology in Socialist Society" (1972) does Comrade Erich Honecker point out that economic practice and theoretical insight develop further in close interrelationship.

Theoretical Requirements for the Implementation of the Economic Strategy

Economic strategy and its practical implementation are in the center of the party's social policy. Three central ideas pervade the economic strategy regarding the year 2000.

First of all: Dynamic growth of the economy is indispensable to make it possible to successfully shape the developed socialist society. It was calculated that in the eighties the GDR needs an annual rate of growth of 4 to 5 percent—in relation to the national income—to enable it to achieve all important tasks, especially also in the social field. In effect from 1981 to 1985 an average annual growth of 4.5 percent was

attained and the same rate has been stipulated in the Law on the Five-year Plan for the period up to 1990. A condition for the achievement of that goal is a high growth of social labor productivity. That is a task of fundamental strategic importance whose achievement at the same time requires everyday struggle for high performances.

Secondly: This growth can be attained only by comprehensive intensification. Therefore its lasting accomplishment in the entire economy constitutes the central task. As early as the 8th Party Congress it was proven that the intensively expanded reproduction is the type of reproduction required for the shaping of the developed socialist society. Thus the necessity for the intensive path follows primarily from internal laws. Only if production and efficiency of the economy grow faster than the total expenditure necessary for it will it be possible to create the material potentials to implement the advantages of socialism on an ever higher level. To this effect the scientific-technical revolution is of decisive importance. Its comprehensive achievement is a condition for lasting intensification and vice versa.

A characteristic expression of the comprehensive intensification is the specific lowering of production consumption. From 1971 to 1975 production consumption (use of material, energy consumption, depreciation, etc) grew even considerably faster than national income. During the period from 1976 to 1980 parallel growth could be achieved. From 1981 to 1985 national income for the first time grew 2.4 times as fast as production consumption. With an annual 4.5 percent growth of the national income, the consumption of primary energy increased 0.9 percent. Consequently it could be stated at the 11th Party Congress that the change towards intensification had been accomplished in the GDR, intensification had become a decisive source of growth. What is now important is to make intensively expanded reproduction comprehensive and lasting. Thus great demands are also, and especially, posed for the political economy.

Of course even in the past extensive expansion of production was linked to many intensification processes. But now intensification in principle becomes a new type of growth of the economy. Its course is determined by new laws and new economic relations. The decisive characteristic consists in the fact that the growth of the economy in the first place is achieved by a reduction of the specific costs of all types of costs--of objectified and living labor. Increase of labor productivity under these circumstances signifies that expenditure of labor as a whole, in all its forms, is reduced and that this fact must be reflected in the reduction of the costs. A series of fundamental economic relations and conditions result therefrom. Thus labor productivity must grow faster than goods production and net production, national income must grow faster than the specific fund and investment expenditure.

Decisive is the question concerning the sources of intensification, the ways and forms of their utilization, but especially the possibilities of their lasting reproduction. As has been shown, we have many such sources--elimination of unnecessary expenditures, improvement of the work organization, structural improvements, growing qualifications, greater discipline. If the intensively expanded reproduction is supposed to be lasting, then the question concerning the long-term yield of the sources of intensification must be answered. That is to say: The decisive source can only be the broad, economically effective application of modern science and technology; it alone, together with the educational potential, can be reproduced without limitation. Only by a permanent rapid replacement of products, technologies and production processes is it possible in the long run to achieve economic growth that is primarily based on a lasting reduction of costs.

Thirdly: Questions of scientific-technical progress, the linking of the advantages of socialism with the scientific-technical revolution pervade all key factors of the economic strategy. After all, the intensively expanded reproduction receives its decisive impetus from the economic utilization of science and technology.

The internationally stormy development of the productive forces and the necessity to keep up with this pace demand a clear position concerning the development and application of the key technologies. "These are tremendous challenges and at the same time opportunities to replace the production quickly, to raise its quality and reduce the costs to a degree that has not been possible in the past."[6]

Considering that at the end of last year 69,000 industrial robots, 24,700 CAD/CAM work stations were being used, nearly three-fourths of all machine tools produced in 1986 were equipped with microelectronics, the rates of increase of the production of microelectronic products were around 20 percent, some of them even much higher, that demonstrates the level and the pace achieved in this field. Together with the 43 highly productive materials newly developed last year as part of the science and technology state plan, all these factors were essential prerequisites for the achievement of the greater produced national income with a 2 percent lower specific production consumption. Thus what is always important is the economic effect of these technologies. To increase the effect even more is an important demand on economic practice and on the theory with respect to the development of the equipment and the perfecting of positive experiences.

At least the following conclusions can be derived therefrom: To guarantee intensively expanded reproduction as a lasting type of growth in the first place depends on whether or not one succeeds in closely and reliably combining modern science, research and development with the reproduction process as a whole. Science forms the starting point of the

intensively expanded reproduction and decisively determines its stages and phases. Therefore the economically effective connection between science and production is a central question in economic theory as well as in practical economic policy. We regard it as a fundamental current task of the political economists and economists to make a contribution to finding ways and forms to work out this connection, to create the economic instruments for that purpose, to completely adjust management, planning and economic accountancy to develop effective driving forces to this end.

To develop lasting sources for the intensively expanded reproduction is possible only by uninterrupted replacement of products and production methods. Constantly high replacement more and more proves to be a characteristic of the intensive reproduction type. The SED economic strategy starts from the assumption that annually 30 percent, in the consumer goods industry up to 40 percent, of the products must be replaced to achieve the economic and social goals. This underscores how important it is that the entire system of management, planning and economic accountancy--the economic and social relations and conditions shaped by this system, including the performance assessment and of the forms of material interest--are adjusted to this requirement. Of course not only economic and technical processes play a role in this connection. Just as important are the level of qualification of the working people involved, constant improvement of this level, the capacity and readiness for further education.

To implement the intensively expanded reproduction as an in-principle new type of growth of the economy, it is not enough to create islands of high effectiveness; rather the intensification must be comprehensive; it must comprise all areas of the economy and all phases of the reproduction process. Moreover high flexibility of the reproduction process has become necessary and possible as a result of the broad application of modern science and technology and the dynamics of economical processes. This high flexibility had developed into a characteristic of the intensively expanded reproduction. The trend is more and more in the direction of a completely computer-based production, control, quality control, stockkeeping and transportation. Thus there result new conditions for considerable savings of working time, shorter processing times with greatly reduced inventories and high utilization of fixed assets. What is important is a greater increase of performance, more rapid market effectiveness, new products, flexible reaction to customer preferences and changing demand situations and the economic mastery of a growing production assortment.

Thus, e.g., CAD/CAM and flexible automation are ways to produce small and medium series profitably but also to control mass production, large series, which can vary in their interior from the assortment. "What is important to us is to make use of the CAD/CAM technology . . . as a

catalyst to achieve a fundamental change in the entire method of operation of the combines and enterprises for a fundamental acceleration of the process of the intensively expanded reproduction in its decisive phases. Thus we need an in-principle economically based approach to the introduction and utilization of the CAD/CAM technology."[7] Thus new requirements are made on a modern socialist enterprise management.

Demonstrable effects with the AUTENT CAD/CAM system, e.g., are saving of working time in construction, in preparing drawings and parts lists, are cost reductions in production of samples, reductions of production time for tools and cost reductions in the modification service, which are between 30 and 80 percent. To fully achieve these effects also requires that in the supporting industry, too, e.g., in metallurgy and chemistry, the transition to the intensively expanded reproduction using the latest findings of science and technology be carried out, as is done in the case of refining metallurgy and refining chemistry. New economic relations, new input-output relations are formed between the various fields of the economy. Socialization of production reaches a new stage. Precise knowledge, especially the control and conscious shaping of these relations becomes a decisive task of economic management. Thus a qualitative change in the cooperation relations apparently takes place in our country with the development of supplies in machine building combines and other combines, which determine standards.

Further Organization of Socialist Production Conditions

The dialectic of productive forces and production conditions is of fundamental importance for the implementation of our economic strategy. In this connection we regard the socialist production conditions in their complete variety, as sum and substance of all economic and social relations which are effective during the course of the social reproduction process. Of course, the intensively expanded reproduction can be successfully implemented only if socialist production conditions are continuously further developed according to new requirements. The main link in the chain of their further development in the main fields of material production was the formation of the combines with simultaneous increase in the activity of the combine enterprises on their own responsibility.

With the combines in industry and in construction and in other economic fields an effective form of organization of socialist property under the conditions of the shaping of the developed socialist society was created. Achievement of the economic strategy would have been inconceivable without these economic units equipped with high responsibility of their own. The development and the work of the combines embody essential steps of perfecting socialist production conditions, of "actual socialization," as they are required to continue to provide opportunity for the dynamic of the productive forces in the interest of strengthening socialism.

"The people-owned combines are the main force for mastery of the scientific-technical revolution."[8] Within the framework of the planning system they make possible the close connection of all elements of the entire cycle of reproduction and thus its mastery under uniform management. They signify a very useful management of the socialized means of production, of the development of socialist property because science and research, too, and foreign trade were included in the uniform management and linked with production. The direct connection of science and production is the core question in this connection. Today the combines and their enterprises decide on their own responsibility on about 90 percent of the number of research and development tasks, on about 80 percent of the financial means and on the work of about 70 percent of those employed for research and technology.

Development and expansion of performance-determining fields in the combines, such as their own means of rationalization, the in-house production of standard-determining supplies and areas of consumer goods production are of principal importance for stability, effectiveness and greater performance of these big economic units and thus for economic growth as a whole. Especially production of the combines' own means of rationalization has for a long time become an indispensable component of the reproduction process in every combine. On the average this activity provides over one quarter of the equipment investments.

The problems of the cycle theory in the economy are profoundly linked with the shaping of the reproduction process of the combines within the framework of the economy. After all, what is involved is to achieve high effectiveness within the shortest period possible with the use of the least possible resources. Comrade Honecker stressed that it is important to produce, with growing labor productivity, more quality products, to introduce new products into production, to achieve maximum performances quickly and with all that to attain good economic results and saving of time for socialism. Maximum economy of time--this demand applies to all combines and enterprises in the economy. That in particular is very important in organizing the cycle process.

Development of the combines into technological centers of the GDR economy and the further widening of their own responsibility with the aim of higher economic effectiveness and the guarantee of high flexibility and ability to respond to the demands of the domestic market and of the foreign markets is regarded by us as one of the central tasks which requires profound theoretical work and generalization of the best experiences.

In agriculture, the agricultural producer cooperatives constitute the foundation of the reproduction process in the future, too. Roughly 90 percent of the GDR agricultural production comes from them. It is important to accentuate even more the advantages and possibilities of

cooperative work and at the same time to develop cooperative relations among the LPGs and between them and the VEGs to create even more favorable conditions for the application of modern sciences for the benefit of the people.

Perfecting Management, Planning and Economic Accountancy

According to the objectively caused interrelationships between the development of the productive forces and the requirements for the further shaping of the production conditions arising therefrom, management, planning and economic accountancy are also being constantly perfected. The combines as the backbone of our socialist planned economy and modern form of management of large-scale socialist production are a condition and an essential side of this system in the center of which there is the strengthening of the central state management and planning and also the strengthening of the own responsibility of the economic units.

Adherence to and always complete implementation of the principle of democratic centralism are indispensable to us. Without clear central management it would have been impossible for us to develop within a relatively short time microelectronics and other key technologies and to lower the specific production consumption to this extent. Above all, the unity of economic and social policy cannot be assured in any other way. Especially in this respect the central management of economy and society proves to be a great advantage of socialism. In contrast to capitalism very large structural changes in the economy could be carried out according to plan without, for example, causing a crisis in individual branches of the economy or triggering social disruptions--as in capitalism.

No less important is the finding that the growth dynamic, the high rate of renewal, the linkage of science and production, the necessary flexibility can be mastered only by economic units that are equipped with a high measure of their own responsibility and corresponding rights. "In the application of the principle of self-generation of funds we see a fundamental way to better reconcile the relationship of the performances for society and making funds available by society."[9]

Starting from the tested orientation on the four main indicators of assessing performance, the new steps are aimed at a higher responsibility for accumulat[illegible] and at the same time for the use of the funds, especially [illegible]odernization and reconstruction of the basic assets, i.e. by the fo[illegible] of an investment fund to be used at one's own responsib[illegible]

Financial and cost indicators receive even greater importance. At the same time more effective conditions for a flexible complete balancing from the "central office" to the combines are created by broadening

computer-based balance. If the nature of all these measures is to be characterized, it can be stated: The core of the matter is reduction of costs for material, energy and working hours and a higher quality and greater use-values through science, technology, production, and sales--expressed in declining costs and greater surplus product. In this connection growing importance belongs to more profound theoretical work, especially in processes of further refining and value and price formation taking place in this connection. In this connection we benefit from the fact that the SED and, under its leadership, the political economists of our country have always paid attention to the interrelationships between management of the economy according to plan and the effect of goods production and the law of value. Goods production and its laws were regarded and treated not as a remnant of capitalism but as an organic component of the socialist mode of production characterized by a changed character.

The tasks of the political economists and economists consist in providing the theoretical preliminary work for the constant perfecting of management, planning and economic accountancy, to make tested aspects generally known and to uncover "friction losses" that may occur with the aim of ensuring the mobilizing effect of the measures.

Deepening of the Socialist Economic Integration

A stable base for the economic and the social development in our country--that was underscored at the 11th Party Congress and again at the 3d Central Committee Plenum--is the deepening of the socialist economic integration with the USSR and the other CEMA member countries. The dynamic of the mutual relations is increasingly determined by research and production cooperation and thus a contribution is made to the fulfillment of the CEMA Complex Program of Scientific-technical Progress. The principal agreements concluded between comrades Erich Honecker and Mikhail Gorbachev demonstrate that there is complete agreement in the fundamental question of cooperation in the scientific-technical and economic field. They are a basis for a qualitatively new stage in our relations.

The agreement between the GDR and the USSR on direct relations and on the formation of joint collectives of specialists open up new possibilities to attain maximum economic effect possible for both economies by pooling of the potentials of our countries. In doing so we can start out from in-principle identical motivations. They can be found above all in the acceleration of scientific-technical progress, in the achievement of comprehensive intensification, in raising the combines' and production associations' own responsibility and in the implementation of the principles of economic accountancy. It is in the nature of the matter that in putting the findings into action there also will be specific

interests of the countries. In a country as big as the USSR the foreign trade intensity is objectively different from that, e.g., in the GDR.

High operational application, mobility and capability to react in our country can take place only by strict state management and planning of foreign trade relations and based on state agreements and treaties and at the same time by looking after the combines' own responsibilities. For the economic relations between the countries, the international top level in technology and economy will set the standard to an even greater extent. Thus the deepening of socialist economic integration will be especially important in economic research. Analyses of the interrelationships and of the influence of international cooperation on comprehensive intensification in the GDR and the requirements from the intensification strategy of the USSR and the other CEMA countries on the economic relations between our countries are in the center of attention.

Man in the Center of Attention

The 11th SED Congress dealt in detail with the fact that the interrelationships between the various spheres of life are becoming more and more important for the development of the economy as well as for that of society. The scientific-technical revolution, the process of intensification on the one hand have significant social effects but on the other hand also necessitate social, societal conditions. Not only the economy but also society as a whole must be able and willing to accept the new productive forces. Thus the unity of economic and social policy today and in the future signifies to us not only that on the basis of high economic efficiency great sociopolitical programs such as the housing construction program, the support to young workers and large families will be carried out. The most important advantages of socialism include the ability to connect scientific-technical progress inseparably with social progress for all working people. Modern science and technology has been and remains a means to achieve the social, humanist goals of socialist society. In doing so it is not always a simple matter to find the correct paths. Capitalism with its social contradictions cannot be a model for us in this respect. The political economists, together with all other GDR Marxist-Leninist social scientists, concentrate a large part of the work on research of these interrelationships and their practical shaping. The circle of the problems is very broad. The majority of them can be solved only in interdisciplinary work. What is involved are the changes of the character and the forms of work, the conditions and driving forces of social activity, further development of socialist democracy, ecological equilibrium, the culture of work, ethical and moral questions of the scientific-technical revolution, the relationship of economy and ideology and other questions.

As has been shown, the scientific-technical revolution leads to great changes in character and form of work. Computer-based construction, project planning and production eliminate a large part of the monotonous mental and physical work. The share of the creative work expands greatly. Flexible automation puts an end to the present division of labor which was determined above all by the assembly line. Instead of the increasingly greater division of labor, a combination of many work processes takes place. Heavy physical labor will be reduced or eliminated, but the mental stress, the stress on the nerves, grows. Therefore the shaping of work and the workplaces under these conditions is an extremely important task.

In this process not only the requirements for technical qualification but also the attitude towards work grow. The broad introduction of key technologies is economically effective only if they are applied and constantly modernized depending on the different conditions. This is possible only if the working people involved are able and willing to constantly seek new solutions. On the one hand, modern science and technology require considerably greater technological discipline and on the other hand great creativeness;on the one hand, continuity and close connection with the enterprise or the combine, on the other hand, readiness for structural change, for change in the work and of the workplace and to keep on learning new things. The fact that 85 percent of the working people have completed their training and that in 1986 every fourth blue and white collar worker participated in measures to improve occupational qualifications as part of their further education testifies to a high thirst for knowledge as well as to great interest in learning program languages.

Thus the development of awareness gains great importance. As has been shown, in our country there are no ideological obstacles to scientific-technical progress as they are characteristic for capitalism: There is no fear of unemployment, of social decline or of the possibility that modern science and technology could be used as a tool of a new stage of watching over and exercise of power against the working people. However, this does not mean that there are no ideological problems whatsoever. The technological change is always a thrust into still unknown fields connected with questions and problems that must first be solved. In addition to the risk of the enterprise, personal risks are linked with that. Not every worker is immediately ready to take this risk. Undoubtedly it is not a simple matter to put aside experience covering decades and start completely new work.

A realistic policy must take this specific type of contradictory effect of the scientific-technical revolution in socialism into consideration and draw the necessary conclusions therefrom. Thus the further development of socialist democracy plays a decisive role in the process of technological change. Only if all working people involved actively

participate in the shaping of the process of rationalization from its inception will all of them fully identify themselves with it and will use all their efforts for it.

It is part of the aims and advantages of socialism to carry out the scientific-technical revolution in such a way, to place it in the service of society so that it will always be centered on man with his interests, needs and capabilities. This is undoubtedly a complex task for the practical and theoretical work of the social scientists. Undoubtedly new answers must be found again and again for this task.

FOOTNOTES

1. Cf. "From the Closing Speech of Comrade Erich Honecker, Third SED Central Committee Plenum." Dietz Verlag, Berlin 1986, p 85.

2. "The Tasks of the Party Organizations in the Further Implementation of the Decisions of the 11th SED Congress. From the Lecture of Comrade Erich Honecker at the Conference of the SED Central Committee Secretariat With the First Secretaries of the Kreis Managements." NEUES DEUTSCHLAND, 7/8 Feb 87, p 4.

3. "Report of the Central Committee of the Socialist Unity Party of Germany to the 11th SED Congress. Rapporteur: Comrade Erich Honecker." Dietz Verlag, Berlin 1986, p 58.

4. Guenter Mittag: "Top Level Performances in Science and Production for the Benefit of the People." NEUES DEUTSCHLAND, 6 Oct 86, p 3.

5. Kurt Hager: "Marxism-Leninism and the Present." Dietz Verlag, Berlin 1986, p 26.

6. "Report of the Central Committee of the Socialist Unity Party of Germany to the 11th SED Congress. Rapporteur: Comrade Erich Honecker." Dietz Verlag, Berlin 1986, p 49.

7. Guenter Mittag: "With Qualitatively New Steps to Highest Performances." Dietz Verlag, Berlin 1986, p 44.

8. "From the closing Speech of Comrade Erich Honecker, Third SED Central Committee Plenum." Dietz Verlag, Berlin 1986, p 95.

9. "From the Closing Speech of Comrade Erich Honecker, Third SED Central Committee Plenum." Dietz Verlag, Berlin 1986, p 103.

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MAGYAR NEMZET STRESSES NEW CARDINAL'S DEDICATION TO PEACE

Budapest MAGYAR NEMZET in Hungarian 24 Mar 87 p 3

[Text] [MTI] Pope John Paul II made the following appointments: Co-Adjunct Archbishop of Kalocsa Dr Laszlo Paskai as Archbishop of Esztergom; Assistant Bishop of Vac Izidor Marosi as the Diocesan Bishop of Vac; and Rector of the Papal Hungarian Institute Dr Laszlo Danko as titular Bishop and Apostolic Regent of Kalocsa. Due to retirements, the Diocesan Bishop of Vac Dr Jozsef Bank and Assistant Bishop of Pecs Dr Gellert Belon were relieved of their duties. The appointments and the absolutions were confirmed in advance by the Presidium of the People's Republic, pursuant to Order No 22 of 1957.

[Bio of Dr Laszlo Paskai]
Born in Szeged, May 1927, Dr Laszlo Paksai, the new Archbishop of Esztergom is 60 years old. Ordained in Budapest, 1951, in 1952 he received a theological doctorate in Budapest. He was stationed in his native city for a long time: in 1955 he was the liturgist of the bishopric, between 1955 and 1965 he became prefect and professor of phylosophy at the Szeged Theological Academy. He came to Budapest in 1965: he worked as the spiritualist of the central seminary and as professorial chairman of the Budapest Roman Catholic Theological Academy. In 1973 he was appointed Rector of the Central Seminary.

Beginning in 1978 Paksai served as titular Bishop and Apostolic Regent in Veszprem. Beginning in 1979 he was active as the Diocesan Bishop of Veszprem. In 1982 he became the Co-Adjunct Archbishop of Kalocsa. Following the death of Cardinal Laszlo Lekai in 1986, he presided over the Bench of Hungarian Bishops.

Even this brief biographical sketch demonstrates that Pope John Paul II chose--with the approval of the Hungarian Presidium--a highly knowledgeable, experienced high priest to fill the post of the Cardinal of Esztergom, a man who has a broad background both as an ecclesiast and a scientist. As head of the Hungarian Catholic Church, Dr Paksai may begin his activities as the highest ranking bishop under circumstances characterized by a constructive

partnership between Church and state, and by ecclesiastic policies that were the hallmark of Cardinal Lekai. Soon after his appointment as Diocesan Bishop of Veszprem on Christmas 1979, in an interview granted to MAGYAR NEMZET Dr Paksai expressed his belief in the continued building of fruitful relations between the state and the churches, just as he did in the intensive work that is being done by atheist as well as by faithful citizens within various fori of the Patriotic People's Front to realize our national and social goals, and in the interest of strengthening national unity. At the time of the interview Dr Paksai also spoke about peace: "Working for peace is one of the fundamental tasks of churches. This kind of work cannot be isolated, because there is only one kind of peace. There are no two kinds of peace, one that means peace to religious people, and another to materialists. Working for peace takes place in two theaters. The role of the churches is primarily to instill and to strengthen in people the yearning for peace. They arouse the people's conscience, they point out threats to peace, they explain the need for unity among the forces of peace. Beyond this, work for peace requires a specific action program. Such action program must be one worked out jointly by our responsible leaders and by those of friendly nations. Once again, our churches have a role in instilling this program, through the fori of their own peace organizations, and those of the Hungarian peace movement and the international peace movement ..."

The above testimony was of the caliber we heard from Cardinal Laszlo Lekai before--written in the spirit of peace efforts. It is this spiritual, ecclesiastic and political legacy that passes into the hands of the newly appointed Archbishop of Esztergom, Dr Laszlo Paksai.

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